

***United States Court of Appeals
for the Second Circuit***



APPENDIX

75-7604

United States Court of Appeals

For the Second Circuit

CAPRI JEWELRY INCORPORATION
TANCER & TWO, INC.

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.,
Defendant-Appellant,
and

BILL G. JAMES,

Defendant.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK.

APPENDIX VOLUME I.

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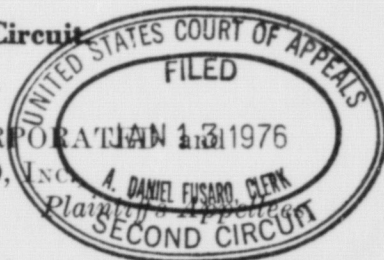
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TESTIMONY.

WITNESSES FOR PLAINTIFF:

Kroin, Joël:

Direct	48a
Cross	59a
Re-direct	65a
Re-cross	68a
Re-direct	70a
Re-cross	70a

Tancer, Michael:

Direct	72a
Cross	78a

WITNESS FOR DEFENDANTS:

Polowczyk, Carl J.:

Direct	91a
Cross	94a

IN THE

United States Court of Appeals

FOR THE SECOND CIRCUIT.

CAPRI JEWELRY INCORPORATED and TANCER & TWO, Inc.,
Plaintiffs-Appellees,

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, Ltd. and BILL G.
JAMES,
Defendants-Appellants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK.

Docket Entries.

Date	Proceedings
1975	
Oct. 8	Filed complaint, Issued summons.
Oct. 9	Filed order appointing Anthony LoCicero to serve process. So ordered Raymond F. Burghardt.
Oct. 16	Filed affdvt. of service by an individual—served: Hattie Carnegie Jewelry Enterprises Ltd. by Mr. Edelman on 10-09-75
Oct. 21	Filed plttfs' proposed findings of fact and conclusions of law.
Oct. 22	Filed deft. Hattie Carnegie Jewelry Enterprises Ltd. proposed findings of fact and conclusions of law.

Docket Entries

- Oct. 23 Before Conner, J. non-jury begun & cont'd and concluded (1 day). Judge's decision Reserved.
- Oct. 28 Filed deft. Hattie Carnegie Jewelry Enterprises Ltd's Brief.
- Oct. 28 Filed Opinion # 43298—for the reasons stated, the Patent is not infringed by plttfs' The Personality Ring or Tattletale Ring. Deft. Hattie Carnegie and its officers, employees, etc. are here by permanently enjoined and restrained from charging or representing that the Patent is infringed by plttf. Tancer's The Personality Ring and plttf. Capri's Tattletale Ring and other products of Tancer and Capri similarly constructed. The Court will retain jurisdiction of the action for the purpose of determining plttfs' claims for damages, costs and counsel fees. So ordered—Conner, J. (m/n)
- Oct. 29 Filed Answer of defts. to the complaint. (NHC&T)
- Oct. 29 Filed defts' notice of appeal to USCA from the judgment and order entered on 10-28-75. Copy to: Amster & Rothstein, Esqs. Ent. 10-29-75
- Oct. 30 Filed Amended Order—the Opinion (#43298) dated 10-28-75 is hereby amended *nunc pro tunc* as indicated. Conner, J. (m/n)
- Nov. 12 Filed Summons and return—served Bill G. James—unexecuted—on 10-25-75
- Nov. 20 Filed transcript of record of proceedings dated Oct. 23, 1975.

Complaint.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK

CAPRI JEWELRY INCORPORATED and TANCER & TWO, Inc.,
Plaintiffs,

v.

HATTIE CARNEGIE JEWELRY ENTERPRISES, Ltd. and BILL G.
JAMES,
Defendants.

Civil Action No. 75 CIV 4990 (WCC)

VERIFIED COMPLAINT

Plaintiffs, by their attorneys Amster & Rothstein, for
their Complaint, allege:

Count I

1. Plaintiff Capri Jewelry Incorporated ("plaintiff Capri") is a corporation organized and existing under the laws of the State of New York, having an office and place of business at 392 Fifth Avenue, New York, New York 10018.
2. Plaintiff Tancer & Two, Inc. ("plaintiff Tancer") is a corporation organized and existing under the laws of the State of New York, having an office and place of business at 366 Fifth Avenue, New York, New York 10001.
3. Defendant Hattie Carnegie Jewelry Enterprises Ltd. ("defendant Hattie Carnegie") is a corporation organized and existing under the laws of the

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State of New York, having an office and place of business at 10 East 38th Street, New York, New York 10016, within the jurisdiction of the United States District Court for the Southern District of New York.

4. Upon information and belief, defendant Bill G. James ("defendant James") is an individual residing at 1895 Cordilleras Road, Redwood City, California and is the inventor named in U. S. Patent No. 3,802,945, issued on April 9, 1974 and entitled "Heat Sensitive Novelty Device" ("said Novelty Device Patent"); and defendant James has done and is doing business within the Southern District of New York and is subject to jurisdiction under the New York Civil Practice Law and Rules, Sections 301 and 302.
5. This is an action for declaratory judgment arising from a controversy between plaintiffs Capri and Tancer and defendants Hattie Carnegie and James as to the infringement and validity of said Novelty Device Patent; and this Court has jurisdiction under 28 U.S.C. 1338(a) in that this is a civil action relating to patents. Venue is proper in this District under 28 U.S.C. 1391(b).
6. For many years, plaintiff Capri has been engaged in the manufacture and sale of costume jewelry throughout the United States and enjoys an enviable reputation as a reliable manufacturer of and resource for quality costume jewelry.
7. Likewise, plaintiff Tancer, which has no business connection with plaintiff Capri, but has a common business problem as set forth herein, is engaged in the manufacture and sale of costume jewelry throughout the United States and enjoys

Complaint

an enviable reputation as a reliable manufacturer of and resource for quality costume jewelry.

8. Retail sales of costume jewelry annually exceeds Five Hundred Million Dollars (\$500,000,000.00); and a substantial portion of such retail sales occurs during the pre-Christmas period which usually extends for approximately six to eight weeks prior to Christmas Day. During this pre-Christmas period, retail department and specialty stores throughout the United States usually engage in substantial promotion and sale of such costume jewelry. Retailers are always on the look-out for novelty and impulse items of costume jewelry to create additional volume and store traffic, particularly such novelty and impulse items which are popularly priced and lend themselves to pre-Christmas promotions and volume sales.
9. Further, in the costume jewelry industry, a substantial amount of the annual business is booked by the industry manufacturers during the months of September and October. Thereafter, the retail channels of distribution initially are filled as a result of opening orders for different lines of costume jewelry and, depending upon the initial retail sales of any particular line of costume jewelry, re-orders are placed in the relatively short period of time between such original bookings and the pre-Christmas selling period.
10. In late August of 1975, plaintiff Tancer began making plans to introduce in its Christmas 1975 costume jewelry line a novelty ring which included a stone coated on its back surface with a well-known heat-sensitive liquid crystal material having the property of changing color as a function of temperature ("the Color-Change Ring");

Complaint

and by mid-September 1975, plaintiff Tancer introduced to and obtained opening orders from leading department and specialty stores throughout the United States for the Color-Change Ring which is sold under the trademark PERSONALITY RING. A brochure describing plaintiff Tancer's Color-Change Ring is annexed hereto as Complaint Exhibit 1.

11. During September of 1975, in response to the apparent demand for the Color-Change Rings, plaintiff Capri likewise made and completed plans for the manufacture and marketing of its costume jewelry ring which it is selling under the trademark TEMPERAMENT RING; and, upon information and belief, during substantially the same period, numerous other costume jewelry manufacturers and distributors commenced selling their respective Color-Change Rings to meet the apparent demand for this novelty item for Christmas 1975.
12. Upon information and belief, in mid-September of 1975, defendant James and defendant Hattie Carnegie entered into a license agreement pursuant to which defendant James gave to defendant Hattie Carnegie the right to make or have made and to sell costume jewelry including Color-Change Rings embodying the alleged invention disclosed and claimed in said Novelty Device Patent.
13. At and about the time of such agreement, defendant Hattie Carnegie began to promote and sell its line of costume jewelry including its Color-Change Rings to retailers, wholesalers, jobbers, manufacturers and distributors; and, in connection with such promotion and sale, represented that only defendant Hattie Carnegie had the right to sell such Color-Change Rings under a patent granted by the United States Patent Office.

Complaint

14. Upon information and belief, as and after mid-September of 1975, defendants Hattie Carnegie and James both knew, or should have known, that said Novelty Device Patent did not afford any significant or basic patent protection on stones that change color, for example, as embodied in the Color-Change Rings being sold by plaintiffs; and plaintiffs are informed and believe that defendant Hattie Carnegie knew that its Color-Change Rings were not covered by said Novelty Device Patent or any rights granted by or derived from defendant James.
15. In view of the claims being made by defendant Hattie Carnegie to rights under a patent granted by the United States Patent Office, both plaintiffs Capri and Tancer, through their respective counsel, proceeded to take steps in September of 1975 to determine the nature and scope of the coverage afforded by said Novelty Device Patent and, in particular, to ascertain whether or not Color-Change Rings, which each such plaintiff was manufacturing or selling, or intended to manufacture and sell, would infringe upon said Novelty Device Patent; and each of said plaintiffs independently ascertained that said Novelty Device Patent was of narrow scope, of doubtful validity, and did not cover their respective Color-Change Rings.
16. During the month of September 1975, other well-known and established manufacturers of costume jewelry introduced comparable Color-Change Rings and plaintiffs' investigations revealed that such other leading manufacturers likewise had determined that their respective Color-Change Rings do not infringe upon said Novelty Device Patent.
17. From mid-September of 1975 to the date of the commencement of this action, plaintiffs Capri and

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Tancer, through their respective sales forces and from their customers, at both wholesale and retail, have been advised on a number of different occasions that defendant Hattie Carnegie and its chief operating officer Larry Joseph had embarked upon a campaign, both orally and in writing, the expressed intent and import of which was to cause the trade and retailers to believe that all Color-Change Rings, including those being sold by plaintiffs, infringed upon said Novelty Device Patent.

18. Defendant Hattie Carnegie's campaign in the trade and at retail has included at least the following:
 - a. On or about September 19, 1975, defendant Hattie Carnegie placed a notice in *Women's Wear Daily*, a leading trade publication, that defendant Hattie Carnegie and its subsidiaries had been licensed to manufacture, distribute and sell color-change stones under a patent granted by the United States Patent Office and that it would vigorously defend its rights under the license, both individually and in consort with defendant James, immediately and by severe legal action against any retailer, wholesaler or manufacturer who would infringe upon such alleged patent rights. A copy of said notice is annexed hereto as Complaint Exhibit 2.
 - b. Defendant Hattie Carnegie has charged leading retailers throughout the United States, including prominent department stores such as Gimbel Brothers Inc., with infringement of said Novelty Device Patent.
 - c. Defendants Hattie Carnegie and James have commenced an action against Gimbel Brothers Inc. before this Court (75 Civ. 4844) for alleged infringement of said Novelty Device Patent

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and, upon information and belief, are threatening other retailers throughout the United States with similar actions for infringement of said Novelty Device Patent.

19. The Color-Change Rings which are the subject matter of the overt acts enumerated in paragraph 18 hereof and which include products being manufactured and sold by plaintiffs, are not infringements of said Novelty Device Patent and any reasonable investigation of the construction of such Color-Change Rings by defendants Hattie Carnegie and James or their attorneys and representatives would have revealed that these products clearly do not infringe said Novelty Device Patent.
20. Plaintiffs Capri and Taneer, and each of them, specifically deny that their respective Color-Change Rings infringe any claim of said Novelty Device Patent.
21. Plaintiffs Capri and Taneer each allege that said Novelty Device Patent is invalid and void:
 - a. for lack of invention in view of U. S. Patent Nos. 3,585,381 of June 1971; 3,574,043 of April 1972; 3,637,291 of January 1972; 3,647,280 of March 1972; and 3,720,623 of March 1973;
 - b. because said Novelty Device Patent would have been obvious to workers skilled in this art at the time the application for said Novelty Device Patent was filed, and for many years prior thereto;
 - c. because the subject matter of said Novelty Device Patent was known or used by others in this country, or patented or described in a printed publication in this or a foreign coun-

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try before the alleged invention thereof, or patented or described in a printed publication in this or a foreign country on public use or on sale in this country more than one year prior to the filing date of the application on which said Novelty Device Patent was issued;

- d. because the subject matter of said Novelty Device Patent was or would have been obvious at the time that the alleged invention was allegedly made to persons having ordinary skill in the costume jewelry art;
- e. because said Novelty Device Patent is disclosed and described in the prior art references considered by the United States Patent Office during the prosecution of the application on which said Novelty Device Patent issued;
- f. because the alleged invention or improvements described and claimed in said Novelty Device Patent are not inventions or improvements, but involve no more than the mere exercise of mechanical skill in view of the state of the art at the time of or long prior to the alleged invention or more than one year prior to the filing of the application on which said Novelty Device Patent issued, including the prior art enumerated in sub-paragraph (a) hereof and other art which plaintiffs reserve the right to specify in accordance with 35 U.S.C. 282;
- g. because the descriptions contained in said Novelty Device Patent and the disclosure of the alleged inventions or improvements and the claims thereof, and each of them, are vague, indefinite, incomplete and not in such full, clear, concise and exact terms as to en-

Complaint

able persons skilled in the art to use and practice the alleged inventions or improvements; and,

- h. because the claims thereof do not cover valid and patentable combinations of elements.
22. Further, plaintiffs allege that to the extent that any claims in said Novelty Device Patent is valid, the proper construction of such claim, as limited by proceedings in the United States Patent Office and as found in the prosecution history thereof, precludes an interpretation of such claims from reading on any product, device or article or combination thereof made, used or sold or offered for sale by either plaintiff Capri or plaintiff Taneer.
23. A justiciable controversy exists between each of plaintiffs Capri and Taneer and defendants Hattie Carnegie and James with respect to the validity and infringement of U. S. Patent No. 3,802,945.
24. A decree by this Court with respect to the issues of the validity and infringement of U. S. Patent No. 3,802,945 as between each of the plaintiffs Capri and Taneer and defendants Hattie Carnegie and James is reasonably calculated to prevent needless additional litigation in this and other jurisdictions between the defendants, or either of them, and customers of either of the plaintiffs.

Count II

25. This Count is for unfair competition and is joined with a substantial and related claim under the Patent Laws. This Court has jurisdiction over this Count under 28 U.S.C. 1338(b).

Complaint

26. Plaintiff Capri and plaintiff Tancer each reaffirm and reallege the allegations of paragraph 1 to 4 and 6 to 22 as if fully set forth herein.
27. The Novelty Device Patent is, even upon cursory examination, of highly restricted and limited scope and does not afford to defendant James or his licensee, defendant Hattie Carnegie, a monopoly on all Color-Change Rings, no less those manufactured or sold by either plaintiff Capri or plaintiff Tancer, such that the threats of immediate and severe legal action against retailers, wholesalers and manufacturers who purchase Color-Change Rings, including those manufactured and sold by plaintiffs, were made in bad faith and for the expressed purpose of improperly precluding such retailers and wholesalers from making their respective purchase commitments of Color-Change Rings in the normal course of business and without regard to said Novelty Device Patent.
28. In demonstration of the fact that said Novelty Device Patent cannot be properly construed to cover various and diverse costume jewelry products incorporating color-change stones which are now on sale and have been offered for sale, including Color-Change Rings being manufactured and sold by plaintiffs and their customers, plaintiffs are informed that patent counsel to a number of different costume jewelry manufacturers have construed said Novelty Device Patent as being of only limited scope and not infringed by the diverse products now in the marketplace. Based upon such opinions which have uniformly construed said Novelty Device Patent to be of limited scope, it was gross and culpable negligence on the part of defendants Hattie Carnegie and James and their respective agents, servants, employees and attorneys, and

Complaint

those acting in concert and participation with them, to authorize and permit a campaign of harassment and trade disparagement including the specific acts described in paragraph 18 hereof.

29. Further, plaintiff Capri and plaintiff Tancer have been informed and believe that even the Color Change Rings of defendant Hattie Carnegie, which purport to be manufactured under said Novelty Device Patent, are not covered by any claim thereof such that defendant Hattie Carnegie has falsely and improperly held out to the trade and purchasing public, with the expressed or tacit approval of defendant James, that its Color-Change Rings are covered by said Novelty Device Patent.
30. Upon information and belief, defendant Hattie Carnegie has falsely represented that its Color-Change Rings are the subject matter of a patent granted by the United States Patent Office, that the rights under license from defendant James afford to defendant Hattie Carnegie the exclusive right and license to manufacture and sell such rings, and that retailers, wholesalers or manufacturers of competitive products are subject to immediate and severe legal action.
31. Upon information and belief, defendant Hattie Carnegie's false representations were made with the intent to deceive the trade and purchasing public into believing that the Color-Change Rings manufactured and sold by defendant Hattie Carnegie were protected by valid patent rights granted by the United States Patent Office and, in particular, said Novelty Device Patent.
32. Plaintiff Capri and plaintiff Tancer have no adequate remedy at law and each is suffering ir-

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reparable harm and damage as a result of the aforesaid activities of defendant Hattie Carnegie in an amount thus far not determined, but believed to be substantially in excess of Five Hundred Thousand Dollars (\$500,000.00).

Count III

33. This Count arises under the Patent Laws of the United States, 15 U.S.C. 292, and is to remedy false patent marking. Jurisdiction is conferred upon this Court under 28 U.S.C. 1338(a).
34. Plaintiffs Capri and Tancer each repeat and re-allege the allegations set forth in paragraph 1 to 4 hereof as if fully set forth herein.
35. In connection with the manufacture and sale of defendant Hattie Carnegie's jewelry incorporating color-changing stones, defendant Hattie Carnegie has improperly marked upon or affixed to or used in advertising in connection with such unpatented jewelry the word "patent" or words importing that the same is patented for the purpose of deceiving the public.
36. The activities set forth in this Count subject defendant Hattie Carnegie to a fine or penalty of not more than Five Hundred Dollars (\$500.00) for each such offense; and plaintiffs Capri and Tancer are each suing for such fine or penalty on their behalf and on behalf of the United States as provided for under 35 U.S.C. 292.

WHEREFORE, plaintiff Capri and plaintiff Tancer, and each of them, pray:

- a. That U. S. Patent No. 3,802,945 be declared invalid and in any event (*sic*) not infringed by either plaintiff

Complaint

Capri or plaintiff Tancer or by their respective customers, both immediate and remote;

- b. That each of the defendants, their respective agents, servants, employees and attorneys, and those in active concert or participation with them, be preliminarily and permanently enjoined from asserting or threatening to assert against customers or potential customers of either plaintiff Capri or plaintiff Tancer, or users or sellers of their respective products, any charge of infringement of U. S. Patent No. 3,802,945;
- c. That a preliminary and permanent injunction be issued restraining defendants, and each of them and their respective agents, servants and employees and attorneys, and those in active concert or participation with them from filing or prosecuting any civil action or actions against either plaintiff Capri or plaintiff Tancer or their respective customers, both immediate and remote, for infringement of U. S. Patent No. 3,802,945;
- d. That a preliminary and a permanent injunction be issued enjoining defendant Hattie Carnegie, its agents, servants, employees and those in active concert and participation with it from making false representations, including, without limitation, improperly representing in any way, shape or form that its products are covered by U. S. Patent No. 3,802,945 (*sic*);
- e. That plaintiffs, and each of them be awarded exemplary damages and their reasonable attorneys' fees under 35 U.S.C. 285;
- f. That plaintiffs, and each of them, be awarded the fines and penalties for defendant Hattie Carnegie's acts of false marking under 35 U.S.C. 292;

Complaint

- g. That plaintiffs, and each of them, be awarded their respective damages incurred by the acts of unfair competition by defendants; and,
- h. Such other and further relief as the Court may deem just and proper under the circumstances.

CAPRI JEWELRY INCORPORATED
TANCER & TWO, INC.

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By: Morton Amster
A Member of the Firm

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Tenzer, Greenblatt, Fallon & Kaplan
100 Park Avenue
New York, New York
(212) 953-1800

Complaint*Verifications*

State of New York,
County of New York, ss:

RICHARD H. RESTLER, being duly sworn, states that he is Vice President of Capri Jewelry Incorporated; that he has read the foregoing Complaint and knows the contents thereof; and that the allegations are true, except as to matters stated therein to be upon information and belief and, as to those matters, he believes them to be true.

RICHARD H. RESTLER

Subscribed and sworn to before me
this 8th day of October 1975.

EDWARD V. ADAMS

Notary Public, State of New York

No. 41-0014450

Qualified in Queens County

Commission Expires March 30, 1977

Complaint

State of New York,
County of New York, ss:

MICHAEL TANCER, being duly sworn, states that he is President of Tancer & Two, Inc.; that he has read and signed the foregoing Complaint and knows the contents thereof; and that the allegations are true, except as to matters stated therein to be upon information and belief and, as to those matters, he believes them to be true.

MICHAEL TANCER

Subscribed and sworn to before me
this 8th day of October 1975.

EDWARD V. ADAMS

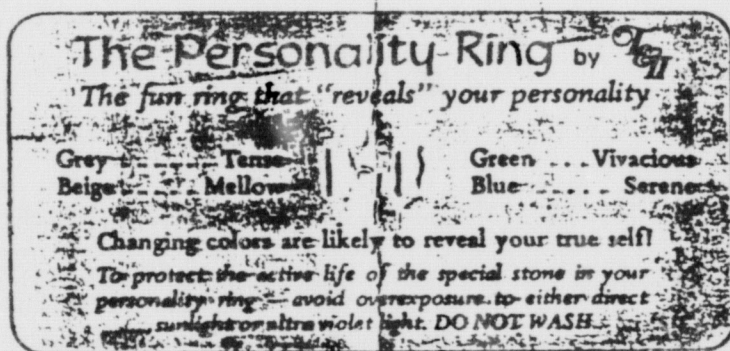
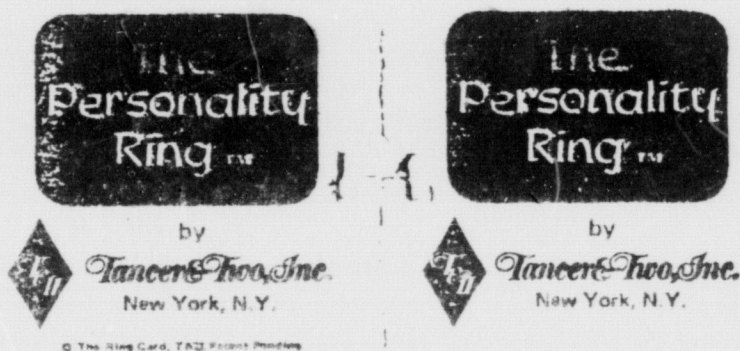
Notary Public, State of New York

No. 41-0014450

Qualified in Queens County

Commission Expires March 30, 1977

COMPLAINT EXHIBIT 1.



COMPLAINT EXHIBIT 2.

WOMEN'S WEAR DAILY, FRIDAY, SEPTEMBER 19, 1973

NOTICE

**TO ALL RETAILERS, WHOLESALERS, JOBBERS, MANUFACTURERS
AND DISTRIBUTORS:**

Notice that HATTIE CARNEGIE JEWELRY and its subsidiaries have been licensed to manufacture, distribute and sell the sensational new stone that changes color according to the emotions of the wearer. This product and the manufacturing process thereof have been granted a patent by the United States Patent Office. We will vigorously defend our rights under this license, both individually and in concert with the licensor. Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may infringe on this federal patent.

HATTIE CARNEGIE JEWELRY ENTERPRISES, LTD.

10 East 38 Street, New York, N.Y. 10018
(212) 725-2800

Opinion.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

6.

CONNER, D. J.:

Introduction

In this action, plaintiff Capri Jewelry Incorporated (Capri) and plaintiff Taneer & Two, Inc. (Taneer) seek, among other relief, a declaratory judgment that U. S. Patent No. 3,802,945, entitled "Heat Sensitive Novelty Device," issued April 9, 1974 in the name of Bill G. James (the Patent), is not infringed by "color-change" rings being sold by both plaintiffs—i. e., rings having stones whose color changes according to temperature, particularly the skin temperature of the wearer.

The action was commenced on October 8, 1975 by the filing of a Verified Complaint. When plaintiff indicated at a conference shortly thereafter that it would move for summary judgment, the Court instead directed an early trial of the single issue of infringement, which trial was conducted on October 24, 1975 without a jury. This opinion embodies the Court's Findings of Fact and Conclusions of Law pursuant to Rule 52(a), F. R. Civ. P.

The Parties

1. Capri is a corporation organized and existing under the laws of the State of New York, having an office and place of business at 392 Fifth Avenue, New York, New York 10018.

2. Taneer is a corporation organized and existing under the laws of the State of New York, having an office and place of business at 360 Fifth Avenue, New York, New York 10001 (Complaint, par. 2).

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3. Defendant Hattie Carnegie Jewelry Enterprises Ltd. (Hattie Carnegie) is a corporation organized and existing under the laws of the State of New York, having an office and place of business at 10 East 38th Street, New York, New York 10016; is within the jurisdiction of the United States District Court for the Southern District of New York; and was served with the Summons and Verified Complaint in this action on October 9, 1975.

4. Defendant Bill G. James (James) is an individual residing at 1895 Cordilleras Road, Redwood City, California and is the inventor named in the Patent. At the time of this limited trial, James had not been served with the Summons and Verified Complaint.

Jurisdiction and Justiciable Controversy

5. The Court has subject matter jurisdiction under 28 U. S. C. §1338(a); venue is proper under 28 U.S.C. §1391 (b). The Court has personal jurisdiction over Hattie Carnegie.

6. Prior to the commencement of this action, Capri was selling color-change rings under Style No. 649R which were manufactured exclusively for Capri, and was also selling color-change rings identified by the trademark TATTLETALE RING which were supplied by or through H. Jack Feibelman who does business under the trade name and style G + S by Fernando Ltd. Prior to the commencement of this action, Tancer was selling color-change rings identified by its trademark THE PERSONALITY RING which were being manufactured for it by Circle Jewelry Products, Inc. of New York, New York (Circle). On Friday, September 19, 1975, also prior to the commencement of this action, Hattie Carnegie placed a notice in *Women's Wear Daily* referring to the Patent and stating that: "Immediate, severe legal action will be taken against any retailer, wholesaler or manufacturer who may in-

Opinion

fringe on this federal patent." In addition, a notice letter on behalf of defendant Hattie Carnegie was sent to Gimbels on September 29, 1975. This letter charged that "THE PERSONALITY RING" being sold by Gimbels infringes the Patent. The color-change rings sold by Gimbels are obtained through a different supplier but are identical with THE PERSONALITY RING sold by Tancer, and are produced by the same manufacturer. On October 2, 1975, Hattie Carnegie brought an action in this Court (75 Civ. 4844) against Gimbels charging infringement of the Patent.

7. After the commencement of this action and pursuant to this Court's Order on October 10, 1975, Capri and Tancer were directed to supply representative samples of their color-change rings to Hattie Carnegie. Plaintiffs complied with this Order and, thereafter, Hattie Carnegie advised the Court that, after consultation with James, it was dropping its charge of infringement against Capri's Style No. 649R, but maintaining its charge of infringement against THE PERSONALITY RING and the TATTLETALE RING.

8. On October 14, 1975, with the consent of Hattie Carnegie, the Court entered a Partial Judgment By Consent pursuant to which it was adjudged that Capri's color-change ring, as exemplified by the samples previously submitted to Hattie Carnegie and identified by Capri's Style No. 649R, did not infringe on any claim of the Patent. However, there is a justiciable controversy as to whether or not THE PERSONALITY RING being sold by Tancer and the TATTLETALE RING being sold by Capri infringe the Patent.

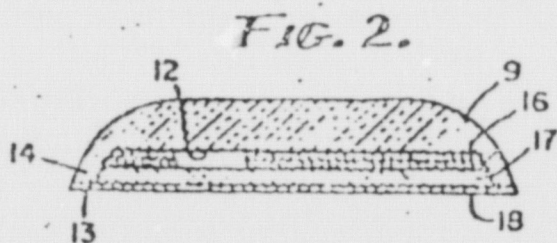
The Patent

9. The Patent was issued on April 9, 1974 on Application Serial No. 189,188 filed October 14, 1971. As issued, the Patent includes nine figures of drawings and seven claims. Only the embodiments shown in Figures 2 and 3

Opinion

of the Patent claimed in Claims 1 and 3 are relevant to the charges of infringement against plaintiffs.

10. Figure 2 of the Patent is reproduced below:



11. The embodiment of Figure 2 is described in the Patent (Px 1, Col. 4, line 6 *et seq.*) as follows:

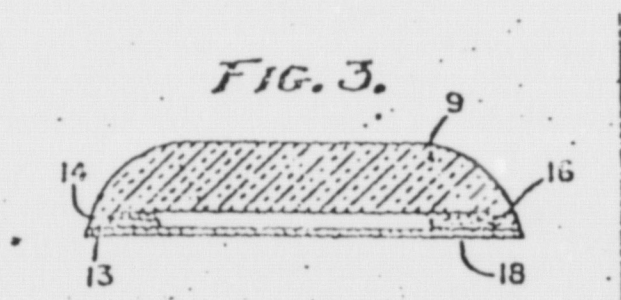
"Referring specifically to FIG. 2, there is there shown a body 9 of transparent material, conveniently polyester, acrylic or other resin, or a cast transparent material such as glass. The body 9 is formed with a recess defined by the inner surface 12 depressed below the level 13 of a peripheral flange 14. Within the recess thus defined, there is deposited one or more layers 16 of closely spaced encapsulated droplets of crystalline liquid material conveniently caused to adhere to a substrate 17 by any suitable means such as described in British Patent 1,138,590. The substrate, for instance, may be a metal foil, or a non-metal material on one surface of which the encapsulated droplets of crystalline liquid material are caused to adhere to form a cohesive film.

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"The film thus formed, may be a single layer of encapsulated crystalline liquid droplets, or may be a plurality or multiplicity of layers, with the encapsulated droplets of each of the layers being responsive to different temperatures to produce different color effects. In FIG. 2, there is illustrated a film 16 supported on a substrate 17, with the film being two layers thick. As there shown, the substrate-supported film of encapsulated crystalline liquid droplets are sealed within the recess formed within the transparent body 9 by a sealing member 18, preferably adherent to the opposite side of the substrate 17 from the encapsulated crystalline liquid droplets, and adherent also to the peripheral edge 13 of the flange 14. In this way, the encapsulated crystalline droplets are completely sealed from the ambient atmosphere, and yet are in direct thermoelectroconductive relationship to the substrate 17 and the sealing member 18, so that any variation in temperature may be conducted through the sealing member 18 and substrate 17 to produce iridescence of the encapsulated crystalline liquid material. It will, of course, be apparent that the sealing member 18 may be a metallic or non-metallic member, the requirement being that it form a substantially hermetic seal with the peripheral edge 13 of the flange 14."

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12. Figure 3 of the Patent is reproduced below:



13. The embodiment of Figure 3 is described in the Patent (px. 1, Col. 4, line 49 *et seq.*) as follows:

"Referring to FIG. 3, there is there shown a structure similar to the structure illustrated in FIG. 2, but in which the substrate 17 has been omitted. In this instance, the recess formed within the body 9 is essentially filled with individually encapsulated droplets of the crystalline liquid material which may be in layer form as illustrated in FIG. 3, or which may be indiscriminately oriented one to the other, (i. e., unoriented) within the recess and then sealed therein by the sealing member 18, which again effects a substantially hermetic seal around the peripheral edge 13 of the flange 14 of the transparent body. The advantage of this construction is that the encapsulated droplets of crystalline liquid material may be purchased in bulk form and simply deposited within the recess within the transparent body 9. It will, of course, be obvious that the recess may be of any configuration so that a variation of effects may be visible through the transparent body within which the iridescent droplets of encapsulated crystalline liquid material are sealed."

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14. As may be seen, the sole difference between these two embodiments is that in the FIG. 2 embodiment, the encapsulated crystalline liquid droplets 16 (in the form of one or more layers) are supported on a suitable substrate 17 in the recess 12 formed in the transparent body 9, whereas in the FIG. 3 embodiment, the crystalline liquid material 16, which may be purchased in the form of a commercially available liquid slurry, is deposited in the recess 12 formed in the transparent body 9.

15. Claim 1 of the Patent, which is set forth in footnote 1, is readable on both the embodiment of Figure 2 and that of Figure 3, since it does not specify whether the separately encapsulated droplets of crystalline liquid are disposed on a self-supporting film or substrate in the recess 12 (as shown in FIG. 2) or are deposited in liquid form in the recess 12 (as shown in FIG. 3). In the footnote, the applicability of the elements of Claim 1 to the embodiment of Figure 2 is also indicated.

16. Claim 3 of the Patent, which is set forth in footnote 2, is similar to Claim 1, but is readable only on the embodiment of Figure 2, because clause (c) thereof recites:

“* * * said encapsulated droplets of crystalline liquid being disposed *in self-supporting film form* and deposited in said recess * * *” (underlined words not in Claim 1).

*Construction of THE PERSONALITY RING
Sold By Tancer*

17. Inspection of a representative sample of THE PERSONALITY RING sold by Tancer and manufactured by Circle, inspection of samples of the component parts, at successive stages of manufacture of this ring, and the trial

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testimony of the General Manager of Circle, reveal that the ring is made as follows:

- a. A glass stone, known in the trade as a crystal cabochon and commercially available from various sources, is used. This glass stone has a domed oval body and a substantially flat back. Such a stone is exemplified by plaintiffs' exhibit (PX) 7A.
- b. This flat-backed glass stone is first cleaned to remove dirt and oils and then is painted on its flat back with a thin layer of a water-based, liquid crystal slurry which likewise is a standard composition commercially available from a number of sources, including National Cash Register Company (NCR) of Dayton, Ohio, which sells its liquid crystal slurry under the trademark CHAMELEON. After the liquid crystal slurry is painted onto the flat back of the glass stone, this layer is permitted to dry, either under ambient conditions or by exposing it to infra-red lamps. At this stage of manufacture, the partially fabricated color-change stone is in the form exemplified by PX 7B.
- c. After it is dry, the stone is further coated on its flat back to provide the necessary black background overlying the painted liquid crystal layer which is in direct contact with the flat back of the stone. Appropriate black paints likewise are commercially available from liquid crystal suppliers including NCR. After the black paint is applied over the liquid crystal layer on the flat back of the stone, the stone is permitted to dry, again either under ambient conditions or with the aid of heat lamps. The glass stone is then in condition for mounting in the ring body. PX 7C is a representative sample of a typical stone after application on its flat back of both the liquid crystal layer and the black background.

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- d. The stone, coated on its flat back with the layer of liquid crystal and overcoated with the black background, is then mounted on the ring body by conventional assembly techniques which have been utilized in the costume jewelry field long prior to the filing date of the Patent, typically by the following steps:
 - i. An appropriate metal bezel or frame which includes a flat bottom wall shaped and sized to fit the flat back of the stone and having a short upstanding marginal flange (PX 7D) is welded into a ring finding and this sub-assembly is electroplated to provide the desired finish for the metallic portion of the ring (i. e., gold). PX 7E is a representative sub-assembly for such conventional ring mounting.
 - ii. Thereafter, the prepared color-change stone (PX 7C) is secured in the metal bezel or frame by placing a single drop of a commercially available adhesive into the center of the bezel and pressing the assembled stone into it to spread the adhesive over the interface between the back of the stone and the floor of the bezel. The excess adhesive is extruded into the space at the corners of the bezel.

Construction Of The TATTLETALE RING
Sold by Capri

18. Inspection of a representative sample of the TATTLETALE RING being sold by Capri (PX 8) and of its separate components (PX 8B, 8C), and the trial testimony relative thereto reveal that such ring typically is made as follows:

- a. A glass stone having a domed oval body and a substantially flat back is used. See PX 8C.
- b. Mounted against the flat back of the stone is a substrate, such as a mylar film coated on one surface with a thin layer of liquid crystal material. The

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substrate provides a black background for the liquid crystal layer. This likewise may be seen in PX 8C.

- c. The stone, with the substrate bearing the layer of liquid crystal, is mounted in a metal bezel or frame, apparently using an adhesive as described above. This sub-assembly may be seen in PX 8B.
- d. The bezel-mounted stone is mounted on the ring casting or body, the head of which is in the form of an open frame providing a seat for receiving and mounting the bezel-mounted stone therein. This may be seen in PX 8A and 8C.

*Applicability of Claims 1 and 3 of the
Patent to THE PERSONALITY RING And
The TATTLETALE RING*

19. Both Claims 1 and 3 of the Patent include similar* recitations in clause (c) thereof, the following recitation from Claim 1 being representative:

“* * * said transparent body being generally flat and having a peripheral flange defining a recess within said body, said multiplicity of separately encapsulated droplets of crystalline liquid being deposited within said recess * * *.”

Neither THE PERSONALITY RING being sold by plaintiff Tancer nor the TATTLETALE RING being sold by plaintiff Capri includes “* * * a peripheral flange defining a recess * * *.” Therefore, it follows that neither ring includes “* * * encapsulated droplets of crystalline liquid being deposited within said recess * * *.”

20. Further, clause (d) of each of Claims 1 and 3 requires “means for sealing said recess.” Since neither

In clause (c) of Claim 3, the crystalline liquid is further described as “ * * being disposed in self-supporting film form * * *.”

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THE PERSONALITY RING sold by Tancer, nor the TATTLETALE RING sold by Capri incorporates a recess, it likewise follows that there are no " * * * means for sealing said recess * * *."

21. In its brief, Hattie Carnegie argues that the excess adhesive which flows into the generally triangular space between the beveled edge of the stone and the inner corner of the bezel forms an effective extension or "peripheral flange" around the edge of the flat back of the stone, and that the area within this annular projection is a "recess" within the contemplation of Claims 1 and 3 of the Patent.

I believe that this annular bead of hardened adhesive, which is not present when the liquid crystal layer is applied to the flat back of the stone, does not form a "recess within said body" [the "transparent body" or stone] as the claims recite.

22. Hattie Carnegie further argues, in substance, that the patentee's contribution to the art was the "further encapsulation" or sealing of an encapsulated crystalline liquid between the transparent body of the stone and the opaque backing, and that, because the bead of hardened adhesive in plaintiffs' rings seals the edges of the liquid crystal layer just as effectively as does the integral, preformed peripheral flange of the rings shown in Figures 2 and 3 of the Patent, the Patent is infringed under the doctrine of equivalents.

23. However, the prosecution history creates a classic case of file wrapper estoppel which precludes Hattie Carnegie from asserting that Claims 1 and 3 should be interpreted sufficiently broadly to cover devices such as the plaintiffs' accused rings, which do not have a recess formed within the body of the stone:

- a. As originally filed, Application Serial No. 189,188 included 13 claims (PX 2, Tab 1c, pp. 16-18), all of

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which, either directly or indirectly, were dependent on application Claim 1, which recited “* * * a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn within said transparent body * * *” (p. 16).

- b. On February 12, 1973, the United States Patent Office rejected Claims 1 to 13 on prior art (PX 2, Tab 2) including U. S. Patent No. 3,585,381 issued June 15, 1971 in the name of Hodson *et al.* and assigned to NCR (the NCR patent) (PX 2A).
- c. On May 11, 1973, an Amendment was filed in Application Serial No. 189,188 (PX 2, Tab 3) arguing that the original application claims were patentable over the prior art including the NCR patent. The argument with respect to application Claim 6 (which was dependent on Claim 1 with the added limitations of clauses (c) and (d), footnote 1) included the following:

“Claim 6 was also rejected on Hodson under 35 U.S.C. 102, and applicant is at a loss to understand the basis for this rejection. This claim clearly specifies that applicant’s transparent body is provided with a peripheral flange defining a recess within the body. Nowhere does Hodson disclose or suggest such a peripheral flange or recess within his member 4.”
- d. On July 13, 1973, the United States Patent Office indicated that Claims 6 and 7 would be allowable if amended so that they were independent claims, rather than being dependent on the rejected Claim 1, and finally rejected Claims 1 to 5 and 9 of the application on the basis of the NCR patent (PX 2A), the Patent Examiner stating (PX 2, Tab 5):

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"Hodson *et al.* disclose a laminated product wherein an encapsulated liquid-crystal member is bonded to, and embedded between, an opaque backing sheet 1 and a transparent upper body member 4; see Figure 1. Whether the encapsulated liquid crystals are bonded to the surface of the flat transparent member 4 of Hodson *et al.* or whether they are embedded within said transparent member 4, as recited in applicants' claims is considered to involve a mere matter of choice and obvious expedient to the ordinary skilled laminating chemist."

e. In response to this Final Rejection, an Amendment was filed on September 12, 1973 (PX 2, Tab 6) by which:

- i. Application Claim 1 was rewritten to incorporate clauses (c) and (d) from Claim 6. The rewritten claim became patent Claim 1 of the Patent.
- ii. A new Application Claim 14 was added, this being a combination of the limitations of application Claim 1 and dependent Claim 7; this became Patent Claim 3.

24. Thus, to overcome the rejection of the claims as unpatentable over the prior art NCR patent and thereby obtain their allowance, the applicant James effectively cancelled the broader claims and rewrote them to require a recess within the "transparent body" (i. e., the stone), with the separately encapsulated droplets of crystalline liquid disposed within it, and means for sealing the recess with the droplets within it. Claim 1 was specifically limited to require a "peripheral flange" defining the recess.

25. The patentee James may not recapture, by resort to the doctrine of equivalents, claim coverage which he was forced to surrender by amendment in order to overcome the rejection of his application as unpatentable over

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the prior art. *Ling-Temco-Vought, Inc., v. Kollsman Instrument Corp.*, 372 F. 2d 263, 268-69 (2d Cir. 1967); *Mastini v. American Telephone & Telegraph Company*, 369 F. 2d 378, 379 (2d Cir. 1966).

26. The Patent is not infringed by plaintiffs' THE PERSONALITY RING or TATTLETALE RING.

27. Hattie Carnegie and its officers, employees and agents are hereby permanently enjoined and restrained from charging or representing that the Patent is infringed by Tancer's THE PERSONALITY RING and Capri's TATTLETALE RING and other products of Tancer and Capri similarly constructed.

28. The Court will retain jurisdiction of the action for the purpose of determining plaintiffs' claims for damages, costs and counsel fees.

SO ORDERED.

Dated: New York, New York
October 28, 1975

WILLIAM C. CONNOR
United States District Judge

*Opinion**Footnotes*

¹Claim 1 reads as follows:

These elements appear in Figure 2 as:

As an article of manufacture, the combination comprising:

a. a transparent body;

transparent body 9

b. a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn within said transparent body, said droplets of separately encapsulated crystalline liquid iridesceing when subjected to varying temperatures to display through said transparent body varying colors correlated to said varying temperatures;

one or more layers 16 of closely spaced encapsulated droplets of crystalline liquid (Col. 4, line 10 *et seq.*)

c. said transparent body being generally flat and

(transparent body 9 is generally flat)

having a peripheral flange defining a recess within said body,

peripheral flange 14 defining recess 12

said multiplicity of separately encapsulated droplets of crystalline liquid being deposited within said recess; and

layers 16 are deposited within the recess 12 (Col. 4, lines 13-17)

d. means for sealing said recess whereby said encapsulated droplets of crystalline liquid are sealed within the recess of said transparent body.

sealing member 18 for sealing layer 16 within the recess 12 in transparent body 9 (Col. 4, lines 29-36).

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²Claim 3 reads as follows:

As an article of manufacture, the combination comprising:

- a. a transparent body;
- b. a multiplicity of separately encapsulated droplets of a crystalline liquid encapsulated in turn within said transparent body, said droplets of separately encapsulated crystalline liquid iridescent when subjected to varying temperatures to display through said transparent body varying colors correlated to said varying temperatures.
- c. said transparent body being generally flat and having a recess therewithin, said encapsulated droplets of crystalline liquid being disposed in self-supporting film form and deposited in said recess; and
- d. means superimposed over the film of encapsulated droplets of crystalline liquid to support said film and seal said recess.

Answer.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

Defendants, by their attorneys Nims, Howes, Collison & Isner, for their answer to the Complaint against them, and each of them, allege:

1. Defendants admit the allegations contained in paragraphs 3, 12, and 18a of the Complaint.

2. Defendants deny each and every allegation of paragraphs 14, 23, 30, 31, 32, and 35 of the Complaint.

3. Defendants are without knowledge or information sufficient to form a belief as to the allegations contained in paragraphs 1, 2, 6, 7, 8, 9, 11, 15, 16, 24, 25, 33, and 36 of the Complaint and, therefore, deny the same and leave plaintiffs to their proof thereof.

4. Defendants deny the allegations contained in paragraph 4 of the Complaint except admit that defendant Bill G. James is the inventor named in U. S. Patent No. 3,802,945 and are without knowledge or information sufficient to form a belief as to the current residence of defendant James and, therefore, deny the allegations with respect thereto.

5. Defendants deny the allegations in paragraph 5 of the Complaint except admit that this is an action for declaratory judgment.

6. Defendants are without knowledge or information sufficient to form a belief as to the allegations contained in paragraph 10 of the Complaint and, therefore, deny the same except admit that a purported "brochure" is attached to the Complaint labelled "Exhibit I".

7. Defendants deny the allegations contained in paragraph 13 of the Complaint except admit that Hattie Carnegie began to promote its line of heat sensitive novelty

Answer

rings at or about the time of its agreement with Bill James.

8. Defendants are without knowledge or information sufficient to form a belief as to the allegations contained in paragraph 17 of the Complaint concerning reports to Capri and Tancer and, therefore, deny same and deny each and every other allegation in paragraph 17.

9. Defendants deny the allegations contained in paragraph 18b of the Complaint except admit that Gimbel Brothers, Inc. was charged with patent infringement.

10. Defendants deny the allegations contained in paragraph 18c of the Complaint except admit that an action has been commenced against Gimbel Brothers, Inc. for alleged infringement of the James patent.

11. Defendants deny the allegations contained in paragraph 19 of the Complaint except admit that the Capri TEMPERAMENT ring shown to defendants for the first time subsequent to the filing of the Complaint does not infringe the James patent.

12. Defendants admit that plaintiffs Capri and Tancer allege the statements contained in paragraph 20 of the Complaint but deny the truth of such statements.

13. Defendants admit that plaintiffs Capri and Tancer allege the statements contained in paragraph 21a, b, c, d, e, f, g and h of the Complaint but deny the truth of such statements.

14. Defendants admit that plaintiffs allege certain facts in paragraph 22 of the Complaint but are without knowledge or information sufficient to form a belief as to the truth of such facts and, therefore, deny same.

15. Defendants admit that plaintiffs in paragraph 26 reaffirm and reallege the allegations of paragraphs 1-4 and 6-22 and defendants reaffirm and reallege their answer thereto.

Answer

16. Defendants deny each and every allegation contained in paragraph 27 except admit that not all "color-change" rings infringe U. S. Patent No. 3,802,945.

17. Defendants are without knowledge or information sufficient to form a belief as to the allegations in paragraph 28 as to what plaintiffs have been informed and, therefore, deny same and deny each and every other allegation contained in paragraph 28.

18. Defendants are without knowledge or information sufficient to form a belief as to the allegations in paragraph 29 as to what plaintiffs have been informed and, therefore, deny same and deny each and every other allegation contained in paragraph 29.

19. Defendants admit that in paragraph 34, plaintiffs repeat and reallege the allegations set forth in paragraphs 1-4 of the Complaint and defendants repeat and reallege their answer thereto.

WHEREFORE, defendants Hattie Carnegie Jewelry Enterprises Ltd. and Bill G. James, and each of them pray:

1. That the plaintiffs' Complaint be dismissed.
2. That the Court award to the defendants cost of this action, including reasonable attorneys fees as well as such other relief as the Court may deem just and equitable.

NIMS, HOWES, COLLISON & ISNER

Attorneys for Defendants

By KENNETH R. UMANS

60 East 42nd Street

New York, New York 10017

(212) 682-4590

Amended Order.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

CONNER, D. J.:

The Opinion dated October 28, 1975 is hereby amended, *nunc pro tunc*, as follows:

Page 1, caption, line 5, correct the spelling of "Hattie Carnegie".

next to last line, change "plaintiff" to —plaintiffs—

last line, change "it" to—they—

Page 3, line 16, cancel "referring to" and substitute —asserting that it was licensed under—

Page 5, first line, after "Patent" insert—and—

Page 13, third paragraph, should read as follows:

—I believe that the addition of this annular bead of hardened adhesive does not result in forming a "recess *within said body*" [the "transparent body" or stone], as the claims recite. And even if the bead of adhesive could be said to form such a recess, the fact that it is not present when the liquid crystal layer is applied to the flat back of the stone would mean that the crystalline liquid could still not be said to be "*deposited within said recess*" as the claims also recite.—

Page 17, line 3, after "was" insert—further—

Dated: New York, New York

October 30, 1975

WILLIAM C. CONNER
United States District Judge

Notice of Appeal.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

Notice is hereby given that the defendants named above, pursuant to 28 U.S.C. §1292(a)4, hereby appeal to the United States Court of Appeals for the Second Circuit from the Judgment and Order declaring plaintiffs' PERSONALITY RING and TATTLETALE RING not to infringe U.S. Patent No. 3,802,945 and enjoining defendant Hattie Carnegie Jewelry Enterprises Ltd. from charging or representing that the patent is infringed by Tancer's THE PERSONALITY RING and Capri's TATTLETALE RING and other products of Tancer and Capri similarly constructed, entered in this Action on the 28th day of October, 1975.

Respectfully submitted,

NIMS, HOWES, COLLISON & ISNER

Attorneys for Defendants

By KENNETH R. UMANS

60 East 42nd Street

New York, New York 10017

(212) 682-4590

To:

Amster & Rothstein

50 E. 42nd Street

New York, N. Y. 10017

(For Plaintiffs)

Transcript of Testimony.

UNITED STATES DISTRICT COURT,

SOUTHERN DISTRICT OF NEW YORK.

Before:

Hon. William C. Conner, District Judge.

New York, N. Y.

October 23, 1975—10:30 a.m.

Appearances:

Amster & Rothstein, Esqs., Attorneys for plaintiff; By: Morton Amster, Esq., of counsel.

Nims, Howes, Collison & Isner, Esqs., Attorneys for defendants; By: Robert E. Isner, Esq.

and

Kenneth R. Umans, Esq., of counsel.

(2) The Clerk: Capri Jewelry, Incorporated and Taneer & Two, Inc. v. Hattie Carneige Jewelry Enterprises, Ltd. and Bill G. James.

Plaintiff ready?

Mr. Amster: Yes, your Honor.

The Clerk: Defendants ready?

Mr. Isner: Yes, your Honor.

The Court: I might say for the record that I have spoken to counsel both separately in an effort to try to resolve the matter amicably, and since I spoke to Mr. Amster first I might report to him that the defendants' counsel say that their client is probably unreachable by telephone so they can't get any definite indication as to whether the case can be settled this morning.

They have witnesses whom they have brought in for the purpose of trying it and I think they would prefer, under the circumstances, to go ahead and try it, to show me their evidence on which they base the charge of in-

Transcript of Testimony

fringement and to leave the matter up for decision by the Court.

Mr. Amster: I want to thank the Court for its efforts to settle this case and, under the circumstances, we will try to be exceedingly brief in our presentation.

The Court: I would suggest this if it is agreeable to you, Mr. Amster:

(3) Because defendants' counsel tell me that they have some witnesses who have other commitments and since the burden of proof on the issue of infringement really rests on the patent owner, that it might not be inappropriate for the defendant to go ahead first and to put on his witnesses and to try to show infringement.

Mr. Amster: Your Honor, if I may just impose upon the Court to put one very short witness on, and I promise the Court I will keep it very brief, I would just like to get all the physical evidence and exhibits in and then I will defer to your Honor's appropriate suggestion that the other side proceed.

The Court: All right.

Mr. Amster: Plaintiff calls—

The Court: Do you want to say something?

Mr. Isner: Except that Mr. Pelton, who is going to serve as our expert, has a commitment. He has to be at White Plains this noon, which means he would like to leave at eleven o'clock.

The Court: Is Mr. Pelton going to testify in the role of a patent expert?

Mr. Isner: Yes, your Honor.

The Court: I don't need a patent expert. I try to make clear to all counsel who appear before me in (4) patent cases.

If he is a technical expert who is going to tell me about the technology, I would welcome any help I can get in that area. But insofar as telling me how to interpret a file wrapper, the legal effect of amending a claim and

Transcript of Testimony

so forth, that is something that counsel can do in their briefs and oral argument just as effectively as a patent expert.

Mr. Isner: If that is your Honor's view, the case will, I think, devolve into mainly oral argument, because our factual presentation, and I will candidly state it, was to the photographs, the enlarged photographs that we have taken out of the sectioned rings that were provided to us by the plaintiffs, and if those photographs can be stipulated for what they are, our factual case, as far as evidence presentation, reduces to a rather insignificant amount.

Mr. Amster: If I may, your Honor, Mr. Pelton, I gather, is excused and I am prepared to do a little bit—

The Court: If it is correct that he is merely going to explain to me the legal effect of the prosecution of the patent application—

Mr. Isner: And he was going to read the claims on the photographs, your Honor, or rather Claim I on it.

(5) The Court: I know what the patent owner's theory of the application of the claim elements to the accused devices is. He really doesn't need to do that. You can do that in your oral argument.

Mr. Amster: Thank you, your Honor.

I would like to first, before I call my first witness, offer in evidence some exhibits which I presume will not be objected to.

Plaintiff offers as Plaintiffs' Trial Exhibit 1 a soft copy of U. S. Patent No. 3,802,945 of April 9, 1974 in the name of Bill G. James, entitled "Heat Sensitive Novelty Device."

Mr. Isner: No objection.

[Plaintiffs' Exhibit No. 1 was received in evidence.]

Mr. Amster: Plaintiff offers as Exhibit 2 a copy of the file wrapper of U. S. Patent No. 3,802,945.

I respectfully note for the record that we have added tabs which have been referred to in our proposed findings,

Transcript of Testimony

your Honor, and there is also a note on the first page that Page 2 is missing from the amendment dated May 11, 1973.

This is the manner in which we received the file history.

(6) Mr. Isner: No objection.

[Plaintiffs' Exhibit No. 2 was received in evidence.]

Mr. Amster: As Plaintiffs' Exhibit 2-A, a soft copy of U. S. Patent No. 3,585,381, issued June 15, 1971, and assigned to the National Cash Register Company in the name of Theodore H. Hodson, which is cited in the prosecution history.

Mr. Isner: No objection.

[Plaintiffs' Exhibit No. 2-A was received in evidence.]

Mr. Amster: As Exhibit 3-A, a copy of a notice by Hattie Carnegie Jewelry Enterprises, Limited which appeared in Women's Wear Daily on September 19, 1975.

Mr. Isner: If your Honor please, maybe we can shorten these proceedings.

I would like to object to this exhibit and the ones that follow it in the list that has been supplied.

These documents have no relevancy to the issue of infringement or non-infringement, which was my understanding that this trial was limited to. They relate, I suspect, more to the unfair competition counts in the complaint and bear no relevance in this hearing.

The Court: I think this is a good point.

(7) Mr. Amster: Is Mr. Isner advancing the argument there is no justiciable controversy?

The Court: He is admitting that.

Aren't you?

Mr. Isner: No.

In one sense there may be a case of controversy here, but remember the patentee has not been served in this case. That is a point I do want to preserve and I also want to preserve any position I might have with respect to due process because of the expedited nature of the proceedings.

Transcript of Testimony

I just want to state that formally for the record for the purposes of the record.

The Court: You don't dispute, apart from the question of a personal jurisdiction over the patentee Mr. James, that there is a justiciable controversy here?

Mr. Isner: The facts, as I understand them, your Honor, leave that open to doubt.

Certainly the ad was published, I am not arguing about that, but the rest of the allegations—

The Court: Are you telling me now you don't charge the plaintiff with infringement on the basis of its sale of these two products?

Mr. Isner: Your Honor, we said in the beginning that we did not charge them when the case started. We were (S) told to look at these specimens that were given to us and take a position either they infringed or not. We have complied with the Court's directive and we said we believed Items 2 and 3 constituted infringement. We haven't gone one step beyond that.

The Court: The filing date of the action is what?

Mr. Amster: October 8, 1975, your Honor.

The Court: Then I think since existence of a controversy has not been admitted that any charge of infringement made prior to the filing date of the complaint is certainly relevant, isn't it?

Mr. Isner: Yes.

The Court: All right. Objection as to Exhibit 3-A is overruled.

Mr. Isner: I do object to the extent, your Honor, that that is a specific charge of infringement against products of these plaintiffs. That ad does not say that, the ad says it—

The Court: I think that is relevant as far as the existence of the case of controversy is concerned.

As to what it says, that is a matter for argument.

Mr. Amster: We offer in evidence Exhibit 3-A.

[Plaintiffs' Exhibit 3-A was received in (9) evidence.]

Transcript of Testimony

Mr. Amster: We also offer in evidence as Plaintiff Exhibit 3-B another advertisement which appeared in Women's Wear Daily on Friday, September 19, 1975, captioned "Be Aware" and mentioning the Mood Stone.

Mr. Isner: I think the rest of them fall into one group.

I would like to repeat my objection, your Honor, to the rest of these exhibits which I don't think are even connected with the defendant.

You can take a look at it and see.

The Court: What was the last one offered?

Mr. Amster: 3-B, your Honor.

This is the other person who derived rights from Mr. James, and we will establish that.

Perhaps—

The Court: That wouldn't establish a controversy between the plaintiffs and any of these defendants, would it?

Mr. Amster: It all is part of the same cloth, your Honor.

I will withdraw these two exhibits.

The Court: You are withdrawing 3-C?

Mr. Amster: I will withdraw 3-B and 3-C.

I will offer in evidence as Exhibit 3-D a copy (10) of an article which appeared in Women's Wear Daily on October 3, 1975, captioned "Hattie Carnegie, Inventor Sue Gimbel Brothers on Patent."

Mr. Isner: I object to that on relevancy, too, your Honor. That article is not the authorship of the defendants here.

The Court: You don't deny the facts set forth in the article, do you?

Mr. Isner: Gimbel was sued.

The Court: By Hattie Carnegie and the inventor?

Mr. Isner: Yes, your Honor.

The Court: All right. I will admit it.

[Plaintiffs' Exhibit 3-D was received in evidence.]

Joel Kroin, for Plaintiff, Direct

Mr. Amster: Plaintiff calls as its first witness, your Honor, Joel Kroin.

(11) JOEL KROIN, called as a witness by the Plaintiff, having first been duly sworn, testified as follows:

Mr. Amster: I would like to make just one more offer at this time, your Honor.

I have the typed original of a notice letter over the letterhead of Nims, Howes, Collison & Isner, dated September 29, 1975, signed by Kenneth Umans of that firm and addressed to Gimbel, and I would like to offer a copy of it as Plaintiffs' Exhibit 4-A.

Mr. Isner: I object, again, on the ground of relevancy in this action, your Honor.

We are not denying that Gimbel was sued.

Mr. Amster: I will connect it up, your Honor, through this witness.

The Court: All right. Subject to connection.

Mr. Amster: Thank you, your Honor.

[Plaintiffs' Exhibit 4-A was received in evidence.]

Direct Examination by Mr. Amster:

Q. Mr. Kroin, would you be kind enough to state your full name and home address. A. Joel Kroin, 248 West 22nd Street, New York, New York (12) York.

Q. Mr. Kroin, tell the Court very briefly what your education was past high school. A. I have a Bachelor of Engineering in industrial engineering from the New York University, a Master of Engineering, industrial engineering from New York University.

Q. By whom are you now employed? A. Circle Jewelry Products, Incorporated.

Q. And what is your present position with Circle Jewelry? A. I'm general manager.

Joel Kroin, for Plaintiff, Direct

Q. I show you a ring which has been marked as Plaintiffs' Exhibit 5 and bears the trademark "The Personality Ring," being sold by plaintiff Tancer & Two, Inc. in this action, and ask you if Cirele had anything to do with the manufacturer of this ring [handing.] A. We did.

Q. I show you another ring which has been marked as Plaintiff Exhibit 6 and bears a tag indicating that it is being sold under the trademark "Emotion Ring" by Gimbel Brothers, and ask you if you had anything to do with the manufacture of this ring. A. We manufactured that ring, yes.

Q. Are you familiar with the construction of the (13) Tancer ring of Plaintiff Exhibit 5 and the Gimbel ring of Plaintiff Exhibit 6? A. I am.

Q. When did you first become employed by Cirele Jewelry? A. Approximately six years ago.

Q. Can you fix the month? A. February 1970.

Q. In the period of time between when you graduated and received your engineering degrees to the time you went to work for Cirele, were you employed? A. I was.

Q. And briefly tell the Court what that employment was. A. I was an engineer employed by United Aircraft Corporation in Connecticut.

Q. What were your duties when you first went to work for Cirele here in New York? A. I was in charge of all methods and machinery in the factory. I was captioned as the plant engineer.

Q. What is your present title? A. I'm general manager.

Q. And what are your duties as general manager? A. I'm responsible for all manufacturing in our (14) facility.

Q. Did you have any involvement in setting up the manufacturing procedures for the rings of Plaintiff Exhibits 5 and 6? A. I did.

Mr. Isner: If your Honor please, I would like to object insofar as this testimony goes to 6. That

Joel Kroin, for Plaintiff, Direct

is an issue that may be present in the Gimbel case, but it is beyond the scope of the issues here.

We were given two samples of rings to analyze, we took a position and I thought that that was the base of this hearing.

If we are going to put in a third ring, whatever its character is, it seems it is going beyond the bounds of the proceedings and your directive as this thing was set up originally.

Mr. Amster: Your Honor, the rings are of identical construction and the only reason I brought the Gimbel ring is to prove that there is justiciable controversy.

I respectfully direct your Honor's attention to the fact that the letter that Mr. Umans of Mr. Isner's firm wrote to Gimbel Brothers—

The Court: All right, that is enough. That is (15) enough.

Okay. This goes to the justiciable controversy.

If you charge Ring B which is identical to Ring A, you have effectively charged Ring A.

Go ahead.

Q. I believe you told us that you were familiar with the procedures employed for the manufacture of Plaintiff Exhibits 5 and 6, is that correct, sir? A. Yes.

Q. At my request, did you prepare a series of progressive samples of the component parts that are used in the manufacturer of the rings of Exhibits 5 and 6? A. I did.

Q. And I place before you Plaintiff Exhibits 7-A, B, C, D, E and F, and ask you where these progressive samples came from [handing.] A. I gave those to you.

Q. And in the overall, could you please tell the Court what these progressive samples represent. A. These are individual pieces that we assemble into the final ring.

Q. As exemplified by either Plaintiff Exhibits 5 or 6, is that correct? A. That's correct, yes.

Joel Kroin, for Plaintiff, Direct

(16) Q. Okay.

Will you please be kind enough to take Plaintiff Exhibit A and tell the Court what is contained in this packet. A. This is a piece of glass commonly called a crystal cabochon.

Q. Is Exhibit 7-A representative of the crystal cabochons used by your company in manufacturing these color change rings of these Exhibits 5 and 6? A. It is.

Q. Is this a commercially available product? A. It is.

Q. Have crystal cabochons of this type with flat-backs been available since you got involved in the jewelry business in 1970? A. It has been, yes.

Q. And are there a number of suppliers for crystal cabochons of this type? A. There are.

Q. And how does one locate these suppliers? A. One possible way would be through the yellow pages of the New York telephone book.

Q. What steps, if any, are performed on the crystal cabochon of Exhibit 7-A in the manufacture of the rings (17) of Exhibits 5 and 6? A. The first step is to thoroughly clean the stone in order to remove any sort of grease, fingerprints, any other surface dirt.

Q. And is this done commercially in the making of these stones? A. Yes.

Q. Into rings.

After the—

The Court: In other words, you don't clean them after you get them?

The Witness. After we receive the stones, we remove any sort of surface dirt, yes.

The Court: All right, go ahead.

Q. What is the next step? A. The next step is we apply to the surface of the crystal cabochon onto the back surface a thin film of liquid crystal, which is applied by brush and is available in the form of a liquid slurry.

Joel Kroin, for Plaintiff, Direct

Q. And is that, likewise, a commercially available component? A. It is.

Q. And is it available from suppliers such as National Cash Register Company of Dayton, Ohio? (18) A. It is.

Q. Do you use National Cash Register as your supplier? A. We do not.

Q. Do you consider the specific name of your suppliers to be proprietary and confidential? A. We do.

Q. Are you prepared to divulge it to the Court privately? A. I will, yes, sir.

Q. Would you just tell us how that liquid slurry is applied? A. We use a brush.

Q. Operators by hand? A. It is all done by hand, yes.

Q. What happens after the liquid slurry is applied to the flat-back of the crystal cabochon stone? A. We permit the slurry to dry in either air or by heat drying under infra-red heat lamps.

Q. At that point in the operation you have an intermediate product, is that correct, a coated stone? A. That's correct, yes.

Q. Can you identify for the Court what is contained in the envelope Exhibit 7-B? (19) A. This is a crystal cabochon upon which we have applied a thin layer of crystal liquid.

Q. Was this taken out of commercial manufacture at my request? A. It had been, yes.

The Court: May I see that?

Mr. Amster: Yes, your Honor (handing).

The Court: Is the flat back of the stone coated from edge to edge?

The Witness: It is.

Q. Is there a slight bevel on that particular stone that is commercially supplied to you?

Feel free to look at the stone. A. You are referring to the rear surface?

Joel Kroin, for Plaintiff, Direct

Q. Yes. A. There is a slight bevel, yes.

The Court: Does the coating of the liquid crystal material extend over the bevel?

The Witness: It does.

Mr. Isner: May I look at one of those, your Honor?

The Court: You may (handing).

Mr. Amster: I just might advise the Court that these samples have been shown to opposing counsel prior to (20) the trial.

The Court: All right.

Q. What is the next step in the manufacture after the stone is coated as exemplified by Exhibit 7-B? A. We apply a thin film by paint brush of opaque black paint.

Q. And do you know what the purpose is of applying that opaque black paint? A. Yes. In order to see the color changes in the liquid crystal it is necessary to have an opaque background.

Q. And are appropriate black paints available from commercial suppliers of liquid crystal material such as NCR? A. They are, yes.

Q. Do you use the black paint that comes from NCR? A. We do not.

Q. And here, again, do you get it from a commercial supplier? A. We do.

Q. And is this also what you consider to be proprietary at this point? A. We do.

Q. And would you divulge that privately to the Court? (21) A. I will.

Q. Did you give me samples of both the liquid crystal material and the black paint in cans? A. I did, yes.

Q. What did you do after you applied the overcoating—is that fair to say? A. Yes.

Joel Kroin, for Plaintiff, Direct

Q. What happens after you apply an overcoating of black paint? A. We permitted it to dry by air or over heat lamps.

Q. Can you identify to the Court what is contained in the envelope of Plaintiff Exhibit 7-C? A. These are stones which we have applied liquid crystals to and later applied a black paint background.

Q. And were those particular stones in Exhibit 7-C selected out of production by you at my request? A. They were.

Q. When the stones are completed, what is the next step in making these colored change rings as exemplified by Plaintiff Exhibits 5 and 6? A. We take the stone and we adhesive bond the stone into a ring setting.

Q. Is there anything unique or unusual about that particular technique? (22) A. Not at all, no.

Q. And you say not at all, no.

Do you have personal knowledge as to why it is not unique or unusual? A. Yes. It's a standard technique of adhesive bonding a stone into a ring or other jewelry finding by adhesive binding.

Q. Were those procedures in use when you joined Circle Jewelry in February of 1970? A. They were, yes.

Q. Can you identify for the Court what is in the envelope marked as Plaintiff Exhibit 7-D? A. This is a flat back brass bezel completely closed in the back.

Q. Will you explain to the Court what is done in the making of these rings of Exhibits 5 and 6 with this flat back brass bezel. A. This bezel is welded into a white metal ring shank.

Q. And after being welded in the white metal ring shank, what happens to that subassembly? A. We then electroplate the whole unit in order to achieve an electroplated color.

Q. And is Exhibit 7-E a typical brass bezel welded (23) into a ring finding and here plated to simulate the color gold? A. That is correct, yes.

Joel Kroin, for Plaintiff, Direct

Q. Is this taken out of production? A. It is, yes.

Q. And does it embody the combination of a ring finding of conventional construction with the bezel of Exhibit 7-D? A. It is, yes.

Q. And in Exhibit 7-E do we have the final mounting for the completed stone of Exhibit 7-C? A. That is correct, yes.

Q. Will you explain to the Court how you go about commercially mounting one of these coated stones of Exhibit 7-C in the finding of Exhibit 7-E. A. Yes. We apply a fine drop of adhesive into the ring finding and then we drop the stone into the setting and just press it in very lightly just to achieve a bond.

Q. And can we see the weld mark in Exhibit 7-E where the brass bezel of Exhibit 7-D is welded to the finding? A. There is a slight indentation on the brass bezel, yes.

Q. Is that approximately the location where you might (24) put the adhesive? A. Approximately, yes.

Q. Can you identify Exhibit 7-F for us. A. This is a completed ring assembly.

Q. And is it of the same construction as Exhibits 5 and 6, having gone through the progressive steps of Exhibits 7-A through E? A. It is, yes.

Mr. Amster: I offer in evidence Exhibits 5, 6 and the progressive samples of 7-A through F.

Mr. Isner: I would like to continue my objection as to Exhibit 6. The others I have no objection to.

The Court: All right.

(Plaintiff Exhibit Numbers 5, 6, 7-A through 7-F, respectively, were received in evidence.)

Mr. Amster: I would just like to note, your Honor, one is gold painted and one is tin plated for silver.

The Court: Where do you say you put the drop of adhesive?

Joel Kroin, for Plaintiff, Direct

The Witness: In the general center—

The Court: In the center?

The Witness: Yes.

The Court: The bezel that you refer to is just the insert into the—you have it separate?

(25) Mr. Amster: Yes, your Honor.

The Court: I see. All right.

Q. Will you explain to the Court how the bezel of Exhibit 7-D ends up in the finding of Exhibit 7-E?

The Court: He said it was welded in.

The Witness: Welded, yes.

Q. Mr. Kroin, I place before you three samples of a ring which bears the trademark the Tattletale Ring, which are in envelopes marked Exhibits 8-A, B and C, and ask you if you are the person who dismantled the completed ring of Exhibit 8-A to provide the components thereof which are included in Exhibits 8-B and C? A. I am, yes.

Q. Referring first to Exhibit 8-A and Exhibit 8-B, will you tell the Court what you did to get from the completed ring of Exhibit 8-A to the two components which are in the envelope marked Exhibit 8-B? A. Yes. We broke apart the ring from the jewel.

Q. Would you describe to the Court the two components in Exhibit 8-B? One is a broken finding, is that correct? A. That is correct, yes.

Q. And the other is a stone, is that correct? A. That is correct, yes.

(26) Q. With a brass bezel? A. Yes.

Q. To get from the two pieces of Exhibit 8-B to the final breakdown of Exhibit 8-C, would you tell the Court what you did to the stone? A. Yes. We broke away the brass bezel from the stone.

Joel Kroin, for Plaintiff, Direct

Q. And in Exhibit 8-C do we have the bezel separated from the stone? A. We do, yes.

Q. And is the stone flat backed? A. It is.

Q. And within the bezel do we see what appears to be a substrate? A. There is, yes.

Q. Have you inspected that substrate? A. Yes, I have.

Q. And what did you find that it appeared to include? A. It's a film of liquid crystals on a black backing material.

Q. And that was within the framework of the bezel, is that correct? A. It is, yes.

Mr. Amster: I offer in evidence the progressive (27) samples of Exhibits 8-A, B and C of the Tattletale Ring.

The Court: When you say that the Personality Ring and the Impulse Ring are made identical, is the final product indistinguishable?

The Witness: I have no knowledge of the Impulse Ring. The Emotion Ring and the Personality Ring.

Mr. Amster: We corrected our exhibit list. I apologize to the Court for that, your Honor.

The Court: Is there any difference in the end product?

The Witness: They are absolutely identical in manufacture.

The Court: I know they are identical in manufacture, but is there any difference in the findings used and the—

The Witness: No.

The Court: In other words, if you saw a Personality Ring and an Emotion Ring side by side, you couldn't tell which was which?

The Witness: That is correct, yes.

Q. Are they manufactured on the same production lines? A. They are, yes.

Joel Kroin, for Plaintiff, Direct

(28) Q. And as they come off the line they are fed into one kind of bag or another, is that correct? A. That is correct, yes.

Q. You told us that the technique for mounting the coated cabochon of Exhibit 7-D in the finding of Exhibit 7-E was conventional, and now I ask you if you also prepared for us the progressive samples of Exhibits 9-A, B, C and D (handing)? A. I did.

Q. And were these for a particular ring style that was in the line prior to February 1970, when you joined Circle Jewelry? A. It is, yes.

Q. Referring first to Exhibit 9-A, would you briefly identify the stones that are in that bag? A. These are cabochon stones.

Q. Are they flat backed? A. They are.

Q. Will you tell the Court what is in Exhibit 9-B? A. These are foiled backed cabochon stones.

Q. And were these commercially available? A. They were, yes.

Q. In February of 1970? A. Yes.

(29) Q. And could you tell the Court why these particular stones were foil backed? A. The foil back is a mirror which provides a certain amount of luster to the stone.

Q. Can either of the stones of Exhibits 9-A or 9-B be mounted in the finding of Exhibit 9-D? A. That is correct, yes.

Q. And does Exhibit 9-C include a series of these what you called brass bezels? A. They are, yes.

Q. And were these brass bezels of Exhibit 9-C welded into the finding of Exhibit 9-D to prepare the ring for mounting? A. They were, yes.

Q. Will you tell the Court in the making of the particular ring style of Exhibit 9-D how you went about mounting either the unbacked flat backed crystal cabochons of Exhibit 9-A or the foil backed crystal cabochons

Joel Kroin, for Plaintiff, Cross

of Exhibit 9-B? A. We used commercially available adhesives.

Mr. Amster: May I have just one moment, your Honor?

(Pause.)

Mr. Amster: That concludes our examination of (30) Mr. Kroin.

Cross Examination by Mr. Isner:

Q. Mr. Kroin, did you give a complete description of I believe you said this was the Capri Ring or the details of construction? A. Did I give a complete—

Q. Yes, of all the elements that are included in there. A. I did not, no.

Q. What did you leave out? A. To my knowledge, this is all that I was able to inspect from it.

Q. I see.

Let us take a look at Exhibit 8-C.

Take that apart. What element didn't you tell the Court about?

Mr. Amster: I might tell you, Mr. Isner, the scotch tape is mine.

Mr. Isner: I am raising no point about it, I am not talking about the scotch tape, either.

Q. What is this piece here? What is this? A. This is a piece of plastic or other very thin material that appears to be die cut to a shape.

(31) Q. Right. It is actually a piece of plastic having an encapsulated material and a black opaque coating on it, isn't it? A. That is correct, yes.

Q. As an element, isn't it, as you assemble the ring? A. It is not a ring that I assembled, sir.

Q. I didn't say that. I say as you assemble the ring, that is a multi-laminar element as I described it. A. I don't know if it is multi-laminar, no.

Joel Kroin, for Plaintiff, Cross

The Court: What product is this?

Mr. Isner: The Capri, your Honor. It is the Capri Tattletale Ring.

Mr. Amster: This was the Tattletale Ring.

Mr. Amster: This was the Tattletale Ring which was being supplied to Capri through a findings manufacturer in Providence.

The Court: He didn't describe the construction of the Tattletale Ring at any point in his testimony, did he?

Mr. Amster: He simply indicated, your Honor, that he helped me take three commercial samples of the Tattletale Ring and dismantle the samples to get to the form of Exhibit 8-C and which we offered it in evidence and which (32) your Honor can inspect the components, which components he did describe as including a flat-backed crystal cabochon, a metal bezel and, as I recall his testimony, he said from his inspection he could see a substrate with a black background.

That is all he testified to because—well, period, that's all he testified to.

Q. Also looking at Exhibit 8-C, I notice that most of the opaque material is still adhered to the bezel, isn't it? A. Yes.

Q. Do you draw from that the fact that there is some adhesive intermediate, opaque intermediate on the surface of the bezel? A. Yes.

Q. I also notice on the underside of the stone there appears to be some adhesive material, also, doesn't there? A. Yes.

Q. So there are at least two layers of adhesive in the Capri stone that are put in there sometime during the course of the assembly apart from the mylar film, the encapsulated material and the black layer, is that correct?

Joel Kroin, for Plaintiff, Cross

Mr. Amster: I don't believe anybody testified (33) it was mylar, Mr. Isner.

Mr. Isner: All right, put it as a plastic layer.

A. Yes.

Q. You also notice around the edge of the bezel that there seems to be some white material like adhesive around the edge of it? A. Yes.

Q. That fills the corners in there, too, doesn't it, all around, apart from it being damaged when you took it apart? A. I only see adhesive on part of this particular bezel.

Q. The undamaged part? A. Well, on certain parts of the undamaged part there does not appear to be adhesive.

Q. There is certainly a rim of adhesive at least on certain locations around the bezel on this unit that was taken apart, is that true? A. Yes, there is.

Q. Do you want to put that back together so we don't drop any pieces of it? A. (Witness complies with this request.)

Q. Let us go back to Exhibits 9-A, 9-B and 9-C and 9-D.

(34) Can I see those a moment?

These, I believe, you termed as what, 9-A? A. Yes, they are.

Q. No. What did you call them? A. These are cabochon stones, glass.

Q. They are not clear, though, are they? A. Semi-opaque.

Q. They are colored, aren't they? A. They are colored stones, yes.

Q. And 9-B are clear stones mounted in a bezel. A. No, they are not mounted in a bezel.

Q. This is not a bezel? A. No.

Q. What is that? A. This is a mirrored backing.

Q. Is that the foil you were talking about? A. Foil, yes.

Joel Kroin, for Plaintiff, Cross

Q. There is no encapsulated material between the foil and the underside of the stone, is there? A. To my knowledge, no.

Q. Are these rings actually made now? I mean, do you actually take the specimen of 9-B and make rings out of it at the present time? A. We do.

(35) Q. And how do you make them? Tell us how. A. How do we make the stones?

Q. No. How do you assemble the part 9-B?

I take it you put it in the bezel of 9-C? A. We adhesive bond the stone 9-B into a completed ring 9-D.

Q. But it actually is adhesive bound into the bezel itself, isn't it? A. That is correct, yes.

Q. The bezel may or may not be in the ring mount? A. That's correct, yes.

Q. Let us go back to your first stone you were talking about, which I guess was 7-A, B, C and D.

I believe you said you applied a thin film of liquid crystal in the form of slurry, and that is shown in Exhibit 7-B. A. That is correct, yes.

Q. What is the vehicle for the liquid crystal material? A. It is a liquid carrier of water.

Q. It is water? A. Water base, yes.

Q. Water based what? A. Liquid slurry—it is a slurry of liquid—of encapsulated liquid crystals which has a water-type vehicle (36) carrier.

Q. What is the water type vehicle? I am trying to get its characteristics. A. Excuse me?

Q. What is the water-type vehicle you keep talking about? A. Ordinary water, as far as I know.

Q. It is just water? A. Yes.

Q. As far as you understand it, that coating that appears on the under surface of Exhibit 7-B is the residue of the encapsulated crystal material that was put on there in a water carrier? A. That's correct, yes.

Q. No adhesive or anything like that included into it? A. To my knowledge, no.

Joel Kroin, for Plaintiff, Cross

Q. I presume you would know it, you make them, don't you? A. No, we do not make the liquid slurry.

Q. No. But you make the rings, don't you? A. Yes, we do.

Q. I believe you said also that you adhesive bond the stone such as 7-C into a bezel, is that correct? (37) A. That's correct, yes.

Q. Tell the Court how you do that. A. We place a drop of adhesive into the ring finding and then we place the coated—well, an equivalent of Exhibit 7-C into the finding.

Q. Why did you call it a fine drop before? A. It is a very fine drop, yes, sir.

Q. How much? A. Oh, approximately one to two millimeters in diameter.

Q. How do you measure it? A. You just put it on with an eyedropper.

Q. It is a drop? A. Very fine drop, yes.

Q. About two millimeters in diameter? A. Approximately.

Q. How high? A. Probably not more than one or two thousandths, maybe not even that much.

Q. So you think it is about one to two thousandths high, one to two millimeters in diameter? A. Yes.

Q. Is this a viscose material? A. It is a very free flowing material.

(38) Q. What is it actually? A. It is an adhesive.

Q. I mean if it is proprietary, can you give us the generic name? A. I do not wish to disclose it in open court, but I will privately.

Q. Is it a resinous material of some sort? A. It is a commercially available adhesive which I will disclose privately to the Court.

Q. All right. When you press down on the stone how much space is left between the under surface of the stone and the top of the bezel? A. At various places under the stone, there is probably zero clearance.

Joel Kroin, for Plaintiff, Cross

Q. Where does the material go when you press it down, the adhesive material you are talking about? A. Well, in various places it will be moved to other places underneath, between the bezel and the stone.

Q. It goes out to the periphery, doesn't it, in every direction? A. It's possible, yes.

Q. It is not only possible, it does, doesn't it? A. No, not always.

Q. Where does it go, then? (39) A. It goes toward the periphery, yes.

Q. If there is no space between it, it must wind up at the periphery, doesn't it?

The Court: He didn't say there was no space under the whole stone.

Q. You press the stone down to get it as close as you can in the assembly, don't you? A. That is correct yes.

Q. How much space is there between the edge of the stone and the bezel? A. It's possible that there will be several thousandths.

Q. When did you first see or were informed of the James patent that is here in suit? A. Approximately two weeks ago.

Q. You never were aware of it before that time? A. We were not, no.

Q. When you say you, you are saying the company or just yourself? A. I speak for the company, yes.

Q. When did you start manufacturing this product? A. Approximately two and a half months ago.

Q. What triggered you into manufacturing it? A. We had seen a ring on the market which had an (40) interest to us which was similar to this, a color changing ring.

Q. Can you identify it? A. The name on the ring was called Mood Stone Ring.

Q. Did you make any checkup before you went into the manufacture of the ring to see whether it was a

Joel Kroin, for Plaintiff, Re-direct

patented product or not or whether there were any patents related to it or not? A. We did not.

Mr. Isner: That's all I have for the moment, your Honor.

I would like to have the option after I talk to some of our technical people to recall Mr. Kroin, but at the moment I have nothing further.

The Court: Is he going to be around?

Mr. Isner: We will give you notice.

Mr. Amster: We will keep him available.

Re-direct Examination by Mr. Amster:

Q. Mr. Kroin, during your testimony you identified the fact that you were using a liquid crystal material.

Can you tell us what is in this little container (handing)? A. This is a container which contains a liquid (41) crystal slurry.

Q. Taken out of commercial production? A. It is, yes.

Q. Not identified as to the manufacturer, is that correct? A. That is correct, yes.

Mr. Amster: Mr. Isner, this is the material (handing).

Mr. Isner: I am not making a point of it.

Mr. Amster: I would like to offer a sample of it in evidence if you would like me to.

Mr. Isner: You can reserve it. I don't think so.

Q. Can you tell us what is in this little black container? A. This is a container of black paint which we use in our process.

Q. Can you tell us where this blue tube of—is this the black paint that is used to paint on the back of the liquid crystal? A. That is correct, yes.

Q. Can you tell me what is in this tube, how I got the tube? A. This is a tube of bond multi-purpose cement

Joel Kroin, for Plaintiff, Re-direct

which (42) I gave to you. It is used by us for bonding various types of stones to ring findings.

Q. Would it have been suitable to bind the stones of Exhibits 9-A and 9-B into the finding of 9-D? A. That is correct, yes.

Q. Mr. Isner asked you when you first learned of the James patent.

Can you tell us how you became aware of the James patent? A. Our customer, Mr. Tancer, had found out by some means that there was such a patent and he brought this to our attention.

Q. And is that the Mr. Tancer who is sitting in the back of the courtroom here today? A. That is correct, yes.

Q. And he is the Mr. Tancer of plaintiff Tancer & Two, is that correct, your customer? A. That's correct.

Q. Did you proceed to then get any opinion from anybody with respect to whether or not you violated the James patent? A. Yes. Our attorney Pennie & Edmonds, the particular attorney that handles our particular—well, who entered an opinion, Mr. Willis Taylor, did give an (43) opinion on this.

Q. If I showed you a copy of that opinion, would you be able to identify it and fix from that the time when you first learned of the James patent as being prior to that time? A. Yes, yes.

Q. I show you a two-page letter dated September 22, 1975, addressed to Mr. Michael Gartner of Circle Jewelry Products, Inc., signed by Willis H. Taylor, Jr., which has a series of attachments to it, and I ask you, first, if this helps fix the time when you first learned of the James patent (handing). A. Yes, it does.

Q. Did you know that this opinion was being rendered to your company? A. Yes, I did.

Q. Did you read the opinion? A. I did, yes.

Q. Did you understand it? A. I did.

Joel Kroin, for Plaintiff, Re-direct

Q. Does it include a fair representation of your product in Exhibit A? A. It does, yes.

Q. Do you want to look at Exhibit A to it? (44) A. Yes.

Mr. Amster: I offer the opinion in evidence, your Honor.

Mr. Isner: No objection, your Honor.

(Plaintiff Exhibit 10 was received in evidence.)

Q. You say that you saw the Mood Stone before you decided to go into the manufacture of your product, is that correct? A. We did, yes.

Q. Did you take the Mood Stone apart? A. We did not, no.

Q. How did you figure out how to make it, your product, that is? A. We speculated on the particular manufacture and then we sought out sources of supply for the materials.

Q. Did you personally do that? A. I did, yes.

Q. And what did you figure out? A. We found out that this particular material could be made from liquid crystals, that liquid crystals were available in various forms and that's what we did.

Q. Did you make any inquiries of NCR? A. We did, yes.

(45) Q. And are you able to explain how I got my hands on this brochure entitled Chameleon? A. I gave that to you.

Q. Is this the brochure of NCR that you received as you were making your inquiries concerning commercially available materials? A. That is correct, yes.

Mr. Amster: I offer the brochure in evidence.

Mr. Isner: We reserve on that, your Honor, until we have had a chance to look at it.

Mr. Amster: That completes my re-direct examination.

*Joel Kroin, for Plaintiff, Re-cross**Re-cross Examination by Mr. Isner:*

Q. I show you Exhibit A attached to Exhibit N.

Is it your testimony that that is a "fair representation" of the ring you first described here as the one you made? A. It is, yes.

Q. Where is the space between the laminar underlying the stone and the bezel that you testified to as being a thousandth of an inch or so? A. There is an area that I—

Q. I am asking you on Exhibit A. (46) A. On this? It says adhesive, yes.

Q. What? A. It says adhesive.

Q. I didn't ask you that.

Where is the space? A. There is no space.

Q. There is no space, so that is not the way your ring is actually made, is it? A. That is correct, yes.

Q. Is that about as accurate as the rest of your testimony, too?

Mr. Amster: I object to that, your Honor, as an argument.

The Court: Sustained. Strike it out.

Mr. Isner: I apologize.

Mr. Amster: Do you have a position on that exhibit so I can offer it?

Mr. Umans: We would like a chance to look through it. It is about eight pages.

Mr. Isner: I have no objection to it as to its substance. I don't quite see its relevance as to the infringement. At this stage of the—

The Court: I agree, it doesn't appear to be relevant to the limited purpose of the present hearing, (47) which is to determine whether there is infringement.

Mr. Amster: Your Honor, I didn't go into the question of the background of how he got into the

Joel Kroin, for Plaintiff, Re-cross

making of this product. Mr. Isner did it on cross examination, therefore, on re-direct I thought the whole story should come out.

The Court: I don't think he went into the NCR matter.

Mr. Amster: That was part of how they got into making the product, your Honor.

Mr. Isner: All I asked, your Honor, was whether they knew about the patent before they started. From that point Mr. Amster has been running with the ball.

The Court: All right.

Mr. Amster: I have no further questions of this witness.

The Court: You are excused, Mr. Kroin, subject to Mr. Isner's request that you be available.

(Witness excused.)

The Court: Let us take our morning break at this time for ten minutes.

(Recess.)

Mr. Isner: If your Honor please, I have one more question of Mr. Kroin, if he can come back for just a (48) second, please.

Mr. Amster: No objection.

JOEL KROIN, resumed.

Continued Re-cross Examination by Mr. Isner:

Q. Mr. Kroin, I show you the exhibit marked as 7-C, which I understand to be the stone with the encapsulated layer on there and with the black paint overlay.

Is that correct? A. That's correct.

Joel Kroin, for Plaintiff, Re-cross

Q. As I look at that, the black paint overlay does not appear to go out to the edges, am I correct on that? A. That is correct, yes.

Mr. Isner: Thank you, that's all.

Re-direct Examination by Mr. Amster:

Q. I have a question about that, too.

Is the liquid crystal coating in Exhibit 7-C, the finished stone, hermetically sealed by the black paint? A. No.

Q. Is it hermetically sealed by the adhesive which is used to attach the stone in the finding of Exhibit 7-E?

The question is, is the completed stone hermetically sealed by the adhesive when you put the stone of (49) Exhibit 7-C into the finding of Exhibit 7-E? A. No.

Mr. Amster: No further questions.

Re-cross Examination by Mr. Isner:

Q. What test have you made to back that up? A. We know that in particular on the peripheral edge between the coating of black paint and the coating of liquid crystal and the surface of glass that there is a surface, a micro surface, perhaps, of unprotected liquid crystals on the peripheral edges of the stone.

Q. And it is your testimony that that is not overlaid by the resin or the adhesive that is extruded out when you press the stone into the bezel? A. That is correct, it is.

Q. And you tested that? A. Yes. We can see that, yes.

Q. I ask you, have you tested that? A. Yes, we have.

Q. How did you test it? Tell us in all details. A. By breaking the rings apart.

Joel Kroin, for Plaintiff, Re-cross

Q. You broke the rings apart and looked at them? Have you made any tests other than that? A. Visual inspection.

(50) Q. Just visual inspection? A. Yes.

Mr. Isner: That's all.

Mr. Amster: Thank you, Mr. Kroin.

The Court: Thank you.

(Witness excused.)

Mr. Amster: Plaintiff calls Mr. Michael Tancer. I am sorry, your Honor, I have another question.

The Court: Mr. Isner, do you have any witnesses that have to get away or was Mr. Pelton the only witness that you had?

Mr. Isner: I have another witness here who made an infrared spectographic analysis of these various layers on the samples that were submitted and he is sitting here all morning. He would like to get away if he could.

Mr. Amster: Five minutes, your Honor.

The Court: All right.

Mr. Amster: First I would like to offer in evidence Exhibits 9-A through D, which were testified to by the witness.

(Plaintiff Exhibit Numbers 9-A, 9-B, 9-C, and 9-D, respectively, were received in evidence.)

Mr. Amster: Have you made up your mind about the NCE catalogue?

(51) Mr. Isner: I don't think it has any relevance.

The Court: Yes, I don't think it is relevant to determine these issues at this time. It may be relevant to other issues in the case.

Michael Tancer, for Plaintiff, Direct

MICHAEL TANCER, called as a witness by the plaintiff, having first been duly sworn, was examined and testified as follows:

Direct Examination by Mr. Amster:

Q. Mr. Tancer, are you associated with the plaintiff Tancer & Two? A. I am.

Q. What is the business of Tancer & Two? A. Manufacturer and distributing costume jewelry.

Q. And what is your position with Tancer & Two? A. I am the president.

Q. How long has Tancer & Two been in business? A. Since January 1971.

Q. Prior to that time, were you in the costume jewelry business? A. I was.

Q. With a particular company? A. Yes.

(52) Q. Could you tell the Court the company? A. It was a public corporation named Coro.

Q. And what position did you have with Coro, sir? A. I was the president and chief operating officer of the company.

Q. And how long were you the president and chief operating officer of Coro? A. Approximately eight to nine years.

Q. Mr. Tancer, does your company sell the Personality Ring of Plaintiff Exhibit 5? A. Yes.

Q. And is Circle Jewelry the supplier for that particular ring? A. Yes.

Q. I show you Plaintiff Exhibit 3-A, which was a notice that appeared in Women's Wear Daily on September 19, 1975, and first ask you, did you see this notice? A. Yes.

Q. Was your company engaged in selling the Personality Ring prior to September 19, 1975? A. Yes.

Q. What effect, if any, did the notice of Exhibit 3-A have on your business in the Personality Ring? A. When that ad ran in Women's Wear—

Michael Tancer, for Plaintiff, Direct

(53) Mr. Isner: If your Honor please, this has no relevance to the issue of infringement that we are supposed to be trying, has it?

The Court: I assume it is being offered to show a justiciable controversy.

Mr. Amster: That is the sole purpose of this, your Honor.

If he wants to stipulate, Mr. Tancer is finished. Otherwise I am going to develop it.

Mr. Isner: Let him testify. I want to hear what he says if that is the case.

The Court: All right.

Q. You are telling the Court that it had an effect on your business. A. Right.

Q. Tell the Court what occurred. A. The effect was very bad. The immediate effect was terrible, because we had been marketing and selling that product for approximately ten days prior to that ad being run, and the day that that ad ran we began to get calls from every buying office and many of our leading customers asking us what was our position in the matter and what we were going to do about it, because they were very reluctant to market a product that had a possible cloud of (54) violating some existing patent or something on it. The retailers are very nervous about that.

Q. What bearing or relationship does Women's Wear Daily have to your business? A. Well, it is my opinion that it is regarded as—it is a trade paper and on Friday's issues specifically any news regarding the costume jewelry industry, whether it is what is new in design or what is new in litigation or anything, is essentially read by many of the people in the trade.

Q. Do you recall what page the notice of Hattie Carnegie, Exhibit 3-A, appeared in Women's Wear? A. My recollection, it appeared in the jewelry section. I don't know what specific page.

Michael Tancer, for Plaintiff, Direct

Q. And is there a particular section on every Friday that is devoted to news of interest to jewelry people?

A. Essentially, the trade practice has been if they got anything to report or talk about in terms of newness they would try to reach that Friday issue of Women's Wear.

Q. I show you Exhibit 3-D, an article which appeared in Women's Wear Daily, entitled "Hattie Carnegie, Inventor, sue Gimbel Brothers on Patent," and ask you if you read this particular news article? A. Yes, I did.

(55) Q. Did that have any immediate effect on your business? A. It had a very bad effect, because the customers up to this particular point were just hearing a lot of talk in the market, this was seemingly the first concrete move on the part of the defendant Hattie Carnegie to so-call protect some existing rights that he claimed he had.

Q. As a result of this particular article appearing, did you receive some sort of inquiry from Macy's? A. Yes, I did.

Q. Was Macy's a customer of yours? A. Yes, it was.

Q. Is Macy's an important customer of yours? A. Yes, sir.

Q. Tell the Court what happened as a result of this article appearing in Women's Wear on October 3, 1975.

A. Macy's had bought a substantial amount of my Personality Ring and planned to do an ad on October the 5th.

October 3rd being a Friday, the goods had already been shipped on that previous Tuesday, and I got a call in the morning from one of the senior vice presidents, a Mr. John Monk of Macy's, advising that they could not release the merchandise and they were going to have to recall the ad that was scheduled for Sunday, an ad that I (56) planned to use as a vehicle in order to sell across the country, and I just said, "You can't do that, John."

Michael Tancer, for Plaintiff, Direct

I said, "This merchandise is very tight and I have been advised by my counsel that there is no basis in fact."

Well, he said, "Mike, you'll have to get a letter of indemnity the way we write it over to our lawyers in order for us to release the ad and put the merchandise up for sale."

Q. I show you a letter which has been previously marked as Plaintiff Exhibit 4-B, and first ask you if you can identify the signature on this letter. A. Yes. That is my signature.

Q. And what is the date of the letter? A. October 3rd, 1975.

Q. And is that a letter that you had to rush over to Macy's? A. Yes, sir.

Q. And is that the indemnity you actually gave to Macy's? A. Yes, sir.

Mr. Amster: I offer the letter in evidence.

Mr. Umans: No objection.

(Plaintiff Exhibit 4-B was received in evidence.)

Q. Did you, after seeing the September 19, 1975 (57) Hattie Carnegie notice, take any steps to look into the patent situation? A. Yes, sir.

Q. Did you specifically approach your supplier, Circle Jewelry? A. Yes, I did.

Q. And did you subsequently learn that they obtained an opinion from Pennie & Edmonds? A. Yes, I did.

Q. Did you see the opinion which is here marked as Plaintiff Exhibit 10? A. Yes, this is it.

Q. Did you also request an independent and separate opinion? A. Yes, I did.

Q. I show you a three-page letter dated September 25, 1975 over the signature of George Gottlieb to Ira Greenblatt of Gottlieb, Rackman, Reissman & Kirsch, and ask you first to identify Tancer—Greenblatt. A. The law firm Tancer—Greenblatt is the law firm our company

Michael Tancer, for Plaintiff, Direct

uses as counsel, and Ira Greenblatt was the lawyer in the firm that handled our matters.

Q. And was this an opinion, once again, of non-infringement that you obtained? (58) A. Yes, it was.

Q. Do you know if a copy of this opinion was actually released to the lawyers at Hattie Carnegie prior to today to get them to admit that there was no infringement of your product?

Mr. Isner: I object.

Q. Do you know that? Yes or no. A. Yes, I do.

Mr. Isner: The purpose of it may not, the fact is another thing.

The Court: Yes. I am going to sustain it as to the purpose.

The Witness: Your Honor—

The Court: He can ask you about its purpose but not through a leading question.

Mr. Amster: First I am going to offer the letter of September 25, 1975 in evidence.

Mr. Isner: No objection.

(Plaintiff's Exhibit No. 11 was received in evidence.)

Q. Do you have any understanding as to why—

The Court: Who released it?

Q. Who released this letter to the attorneys for Hattie Carnegie? (59) A. Ira Greenblatt at my request specifically, because my instructions to my counsel was I wanted my own private opinion and I also wanted to know—I also wanted to be sure that the opposing side, the Hattie Carnegie firm and their lawyers, knew exactly what I knew, because if there was no issue then I really wanted to stop being harassed.

Michael Tancer, for Plaintiff, Direct

(60) Q. And did you actually see a copy of the letter of which Mr. Greenblatt released to Nims, Howes, Collison & Isner, I take it Mr. Kenneth Umans of that firm, at or about the time it was released, sir? It is this letter of October 6th (handing). A. Yes.

Mr. Amster: I offer the letter.

The Witness: I am aware of that letter.

Mr. Amster: I offer the letter in evidence.

Mr. Umans: No objection.

(Plaintiffs' Exhibit 12 was received in evidence.)

Q. Has the commencement of this lawsuit stopped the customer inquiries? A. Yes. They are all awaiting the outcome.

Q. Did it stop the inquiries or are they awaiting the result of what happens in this courtroom? A. They are awaiting the result. We still have to keep providing letters of indemnity to customers that are still placing orders, but those that have got the order placed are now waiting the results.

Q. Do you know of situations where customers aren't putting the goods on the counters until they get some clarification from you by way of a court opinion? (61)
A. I don't know specifically of that situation, but I have had requests to hold up on shipments of orders so that once the situation is cleared I can go ahead and do it.

Mr. Amster: May I have one moment, your Honor?

(Pause.)

Q. In the past few days, have there been additional things in newspapers placed by Hattie Carnegie relative to the patent situation, to your knowledge? A. To my knowledge, no.

Q. Do you know of a D'Orio Enterprises, Inc.? A. I've heard the name.

Michael Tancer, for Plaintiff, Cross

Q. I show you an advertisement which appeared in the Providence newspaper, and ask you if you happened to have seen this notice (handing)?

Mr. Isner: Your Honor, if this is dated after the date the suit was filed, it can't bear on the jurisdiction question at all.

A. Well, the answer is I haven't seen the notice anyway.

The Court: He hasn't seen the notice.

Mr. Amster: I am not so sure I agree with that, your Honor.

(62) The Court: I think we are getting into the area of overkill now, anyway.

Mr. Amster: Okay, with one minor addition of overkill, your Honor.

Q. Is there a trade publication known as Fashion Accessories? A. Yes.

Q. Did an issue of that just come out? A. I'm not aware of it. I'm not familiar with that particular issue.

Mr. Amster: I have no further questions.

The Court: Any cross?

Mr. Umans: Yes.

(63) *Cross Examination by Mr. Umans:*

Q. Mr. Tancer, I show you Plaintiffs' Exhibit A which you said you were familiar with (handing). A. Yes.

Q. Is it unusual in the jewelry business when somebody gets a copyright or a patent or writes under a patent to put a notice like this in Women's Wear Daily to let the trade know about it?

Mr. Amster: I object to the form of the question, your Honor. This is in no way connected with this, and what is "it"?

Michael Tancer, for Plaintiff, Cross

Q. Know about the notice or the copyright or the patent.

In other words, is it an unusual practice? A. I don't think I'm an expert to answer that kind of a question.

I've seen things like this done.

Q. Have you done it? A. No.

Q. You have seen things through the years where people put notices in the jewelry section? A. I've seen over the years where things like this have been done, yes.

(64) Q. You have been the head of Coro and you got your own business and you don't consider yourself an expert enough to know why somebody would put a notice in the jewelry section as to whether they have copyrights or patent rights?

The Court: The question is not why they did it but whether it is a common practice.

The Witness: I would say, your Honor, that it is generally a common practice, but I don't consider myself an expert as to why a guy would do it, you know.

Q. You have no idea why a person would do that?

The Court: He could do it in good faith, he could do it for bad faith. There are all kinds of reasons for doing it. How would he know?

Mr. Umans: I know he has been in the business long enough to understand something about the jewelry business, which I am going to bring out.

Q. In the jewelry business in your experience, especially with lower-priced manufacturing firms, is it their practice to very often copy originals that have been copyrights, jewelry items, regardless whether there is a copyright or not?

Mr. Amster: I object to the form of the question, your Honor.

(65) The Court: He can answer if he knows.

Michael Tancer, for Plaintiff, Cross

A. I mean, to my knowledge, this is an industry basically things are created and then versions of the things that are created are made and sometimes, being in the fashion business, they wind up in litigation as to whether it was a copy or whether it was not.

Q. But it is a common situation, isn't it, that people in the jewelry industry will copy— A. I would say just like it is common for people to make wild statements and run ads—

Q. That wasn't the question, Mr. Tancer. A. I say, it is a common practice in terms of it is no other form of trying to—

Q. In fact, Q-Tran was making a heat sensitive ring that you saw, isn't that correct? A. The ring—Q-Tran was making a ring that I saw? Yes, yes.

Q. Then you went to Circle and asked them to make you a ring like that? A. No, I didn't. They came to me.

Q. They came to you? A. Yes.

Q. Did you seek legal opinion at that time as to whether there was a patent covering the particular ring (66) involved? A. I asked them in their opinion was this a marketable product in terms of—

Q. That is not the question I asked you, Mr. Tancer.

I asked you, did you seek legal opinion as to whether a patent covered this particular ring? A. No, I did not, not at that time.

Q. You just made a decision to go ahead and copy it and market one? A. They made the decision to go ahead and manufacture it for me.

Q. But you allowed them to do so? A. Yes. They told me at the time that I had nothing to concern myself about, that this was not involving—not violating any existing patent, to their knowledge.

Q. Is that what Circle Jewelry said to you? A. That's generally speaking, yes.

Michael Tancer, for Plaintiff, Cross

Q. Were you here when the gentleman from Circle Jewelry, Mr. Kroin, stated that he had not even heard about the James patent until approximately September 19th? A. I heard him say that.

Q. And it is still your statement that Circle Jewelry told you that there was no patent involved? (67) A. Their practice did not involve a violation of any existing patent and, therefore, I would be free and clear to market the product.

Q. You said that you were shown a letter which stated that Gimbels was selling a Personality Ring.

Did you, in fact, ever sell your ring to Gimbels, your Personality Ring to Gimbels? A. Yes, I did.

Q. You sold your Personality Ring to Gimbels? A. Yes, I did.

Q. When did you do so? A. He was up in my showroom approximately a couple of days after I started to market the ring. He heard that I had my Personality Ring, he was very interested in buying it.

Q. And this was the Personality Ring that Gimbels was selling on or about September 19th? A. Gimbels never had my Personality Ring. He then cancelled their order because they wanted delivery immediately and they were anxious to be first in the market, your Honor, and I was not in a position to give it to him that fast.

The Court: They did give you an order and then they cancelled it because you couldn't make delivery?

(68) The Witness: Yes, sir. Yes, sir.

Q. So, in fact, Gimbels has not sold your Personality Ring? A. To my knowledge, I never sold them that ring.

Q. That's all I asked you. A. I mean, they never—

Q. You say that Macy's was quite disturbed by the lawsuit that was brought against Gimbels and they sought an indemnity agreement, is that correct? A. Correct.

Q. And you gave them that indemnity agreement immediately, right? A. Right.

Michael Tancer, for Plaintiff, Cross

Q. And did Macy's cancel any orders as a result of having that indemnity agreement? A. No.

Q. So no orders were lost by you with relation to Macy's? A. Correct.

Q. Can you give us any specific order that was lost by you prior to these proceedings, an order that was lost by you prior to these proceedings which you would relate to the suit by Hattie Carnegie against Gimbels? A. What prior to—

(69) Q. Did you lose any orders, period, as a result— A. Yes, I did.

Q. Would you name the order that you lost? A. At this particular point I can't give you a specific name, and if I could I would like to say, your Honor, that in this trade divulging customers' names and getting them involved is a very, very bad thing.

I could provide you with some names.

The Court: It isn't necessary, because in order to prove a justiciable controversy you don't have to prove lost orders, you only have to prove that there has been a charge of infringement.

Q. Let me ask you this: Is Ira Greenblatt your general attorney? A. Yes.

Q. Did you direct Ira Greenblatt or did Ira Greenblatt suggest to you that he contact the attorneys for Hattie Carnegie with respect to a possible conflict over the ring? A. I told Mr. Greenblatt, and he was also of the opinion, that I was not looking to violate any existing patents that were legitimate, that I wanted to be certain that I was not getting involved in something that I had not been aware of to start with that was possibly wrong, and I (70) told him to talk to you with regard to getting an idea of what you thought the rights, your client's rights were—

Michael Tancer, for Plaintiff, Cross

Q. When you are talking about me, you mean me personally and my firm representing Hattie Carnegie? A. Right, right.

And to just find out what the situation really is.

Q. Isn't it a fact that Mr. Greenblatt and myself were involved in negotiations to work out an amicable settlement of any possible conflict that might have occurred prior to this suit? A. The only knowledge I have of a thing like that is Mr. Greenblatt suggested to me that he would like to explore the possibilities of finding out just what the other side was looking for and what were their thoughts in the matter.

I said, "Listen, you're my lawyer. Do what you feel."

Q. Did he report that there were discussions between us as far as settlement was concerned? A. He said he had discussions with you, yes.

Q. I show you Plaintiffs' Exhibit 11, which I believe you testified was a letter from Gottlieb, Rackman, Reissman & Kirsch, as to the validity of the patent in question and also as to whether your particular ring infringed (71) is that correct? A. Right. That's correct.

Q. And that letter of Gottlieb, Rackman, Reissman & Kirsch refers to the Exhibit A in the opinion letter from Pennie & Edmonds, is that not correct? It is on the first page.

Mr. Amster: I believe the letter speaks for itself.

A. Where do they refer to Pennie & Edmonds?

Q. Right here (indicating).

The Court: What is the question?

A. They don't mention Pennie & Edmonds here or anything like that.

What is your question, sir?

The Court: What is the question, Mr. Umans?

Mr. Umans: The question was whether this other additional letter that he was relying on was based

Michael Tancer, for Plaintiff, Cross

in part upon the letter that was given out or the opinion that was given by Pennie & Edmonds based on Exhibit A, the Pennie & Edmonds letter.

Mr. Amster: I object to that. There is no foundation laid. He had nothing to do with the preparation of this letter.

The Court: I am going to sustain the objection.
(72) If the letter mentions it, it speaks for itself.

Mr. Umans: All right, your Honor. I will withdraw the question.

The Court: If it doesn't mention it, then he had had no way of knowing what the writer intended.

Q. Did Ira Greenblatt mention to you that I, representing Hattie Carnegie, had suggested that if he had a position with respect to the infringement or validity of this particular patent in question that he send me a statement or an opinion to that effect so that we could further discuss our position in this matter? A. I am not aware of that.

Q. You are not aware? He didn't tell you that. A. I'm not aware of that specific conversation, but it was agreed that whatever information we had we should make available to you regarding our position in the matter.

Q. Doesn't Exhibit 12 bear out that Mr. Greenblatt did just such a thing?

The Court: That speaks for itself.

A. Right.

Q. Weren't you aware that he did that? A. Yes.

Q. That is what I asked you. A. Yes. Well, I didn't know that particular letter (73) that he wrote, but I see it now, yes.

Q. And this letter is dated October 6, 1975, right? A. Yes.

Q. Do you know what day suit was brought by your attorneys in this action?

Michael Tancer, for Plaintiff, Cross

Mr. Amster: We will stipulate that October 6 was a Monday, because it was my birthday, and October 8th was the day this lawsuit started.

Q. So two days after this letter was delivered to me for my consideration as to whether or not your rings infringed, you began a lawsuit, is that not correct, Mr. Tancer? A. I began a lawsuit on the day that counsel says I did.

Mr. Umans: I have no further questions right now, your Honor

The Court: Any re-direct?

Mr. Amster: None, your Honor.

The Court: All right. Thank you.

(Witness excused.)

Mr. Amster: I would simply like to offer in evidence a copy of a complaint bearing the signature of Mr. Umans in 75 Civ. 4844.

The Court: That is the suit against Gimbels?

(74) Mr. Amster: Yes.

The Court: All right. Any objection?

Mr. Isner: I would just like to object on the formal ground, your Honor. I believe it has been testified now that neither of the rings of these parties were the Gimbel rings. I again raise the question of its relevancy.

The Court: There was testimony that they were identical to the Gimbel ring; at least, one of these rings were identical.

Mr. Amster: Both were manufactured by Circle, the witness so testified, and they were identical in construction.

Mr. Isner: I just repeat my objection.

The Court: It is noted for the record.

(Plaintiffs' Exhibit 13 received in evidence.)

Mr. Amster: Plaintiff rests, your Honor.

Colloquy

Mr. Isner: With your Honor's leave, in view of the posture of the proceedings at the present time, I would like to make a brief opening statement and then proceed into our evidence because it is directly related to the past proceedings.

The Court: I read your proposed findings.

- (75) Mr. Isner: I would like to just get it on one place in the record, the past events here, if it is not out of order. It will be a very short statement.

The Court: All right, it is your witness who is anxious to get away.

Mr. Isner: This action was commenced by the filing of a complaint verified by two of the corporate officers on October 8th seeking a declaratory judgment of non-infringement and alleging two counts of unfair competition.

By this Court's directive, on October 10th, after a brief hearing, plaintiff was directed to provide samples or representative samples of their ring construction to the defendant. These ring samples were given promptly and were identified in their letter as:

Item 1, five representative samples selected from inventory of Capri Style No. 649R, which was being sold under the trade-mark The Temperament Ring; as Item 2, five representative samples of the Tat-tletale Ring, which is likewise being sold by Capri and which is supplied by or through H. Jack Feibelman, who does business under G & S by Fernando, Ltd.; and as the third item, Item 3, five representative samples of the Personality Ring, which is being sold by Taneer.

- (76) As I recall this, they were received on the afternoon of October 10th, and, again, pursuant to the Court's directive the defendant was given the re-

Colloquy

sponsibility of examining these rings and stating their position as to infringement or non-infringement with respect thereto.

That afternoon defendants searched and locating a testing lab who would take these specimens and put them in a condition so they could be examined with the work to be done over that weekend.

Several of these specimens were sectioned by a company called The New York Testing Labs, who then made photographs, enlarged photographs of the cut sections, and copies of this were given to the plaintiff early the following week, I believe on Tuesday, if I am not mistaken, together with a statement of the defendants' position as to infringement or non-infringement based on that examination of those submitted samples.

Pursuant to the Court's directive of October 14th, at which time the Court was informed of defendants' position, the Court then directed that this trial be held, and the trial is being had today, limited to the question of infringement based upon the specimens that were available.

Again I would like to state just for the purposes of the record, Mr. James and the patentee and the holder of (77) legal title has not been served in this action, and as of the moment defendant has not had an opportunity to answer or otherwise move.

Again I would like to reserve a position that we do object to the proceedings had to date on the ground that we feel that we perhaps have been denied due process in that the time to prepare the case is not sufficient. We are past that, we are here at the moment.

The Court: I did put this off for an additional week because you were tied up in a lawsuit out in the Mid-West, as I recall.

Colloquy

Mr. Isner: I am just trying to preserve our position on the record, your Honor, that's all.

The Court: All right.

Mr. Isner: With that background, we are ready to proceed.

We probably will be able to shorten the proceedings here, your Honor, if I can just state what happened because I am just going to put the photographs and the samples that were cut.

The samples were prepared by New York Testing Labs, they were cut longitudinally and then one of the sections was cut transversely, the sections were polished, and photographs were taken of them. The photographs have (78) been shown to the plaintiff. I would like to introduce them in evidence together with the specimens.

I will call Mr. Horvitz, who is the president of New York Testing Labs, to prove this, if the Court desires.

The Court: Mr. Amster, are you willing to stipulate that if the president of New York Testing Laboratories were called he would testify that he prepared the photographs in the manner indicated by Mr. Isner?

Mr. Amster: Yes, your Honor.

The Court: All right.

Mr. Isner: Fine.

At this point, your Honor, I would like to offer in evidence as Defendant's Exhibit A pages 8, 9, 10, 11 and 12, each bearing two photographs which were obtained from the New York Testing Laboratories.

Mr. Amster: I have seen the originals of these photographs, your Honor. I was not given a corresponding set, but I was loaned a set to make my own photographs.

Colloquy

Presuming that these are the photographs I saw, we have no objection.

At one point I would like to be able to correlate my independently created photographs to these.

The Court: All right.

(Defendant's Exhibit A was received in evidence.)

- (79) Mr. Amster: Does that group relate to one of the two rings, Mr. Isner?

Mr. Isner: I might state for the record that the defendant photographs marked as Defendant's Exhibit A relate to Item 2, which is the Tattletale Ring.

Mr. Isner: I would also like marked at this time as Defendant's Exhibit B the physical specimens from which these photographs were made just for the purposes of the record.

Mr. Amster: Would you be kind enough to correlate those to the individual photographs? Is there any way of doing that?

Mr. Isner: As I understand it, each one bears a scratched designation which corresponds to the legend at the side of each photograph.

(Defendant's Exhibit B was received in evidence.)

Mr. Isner: I would like to have marked as Defendant's Exhibit C pages 13, 14, 15, 16 and 17 of the report of the New York Testing Labs, each bearing two photographs, which are the photographs that were made of the ring designated as Item 3, which, as I understand it, is the ring identified as the Personality Ring.

Mr. Amster: Subject to my same comment, your
(80) Honor.

Mr. Isner: Yes.

The Court: All right.

(Defendant's Exhibit C was received in evidence.)

Colloquy

Mr. Isner: I would like to introduce as Defendant's Exhibit D the set of physical specimens from which the photographs marked Defendant's Exhibit C were made.

(Defendant's Exhibit D was received in evidence.)

The Court: Let me understand, Mr. Isner, Defendant's Exhibit A are photographs of which ring?

Mr. Isner: The Item 2 ring, which is the Capri Tattletale Ring, your Honor.

The Court: And Defendant's Exhibit C are photographs of which?

Mr. Isner: Of the Personality Ring, which I understand is the Tancer ring.

Mr. Amster: It is the Circle Jewelry, Tancer and Gimbels.

Mr. Isner, could you also make a statement for the record as to when specifically this work was done in relation to the commencement of the lawsuit by Hattie Carnegie and James against Gimbels, the complaint which is Exhibit 13?

(S1) Mr. Isner: I thought I did in the opening statement.

Mr. Amster: That was a statement. Make an offer of proof.

Mr. Isner: The samples were delivered to the New York Testing Laboratory on the afternoon or evening of Friday, October 10, in the late afternoon or early evening. They were hand-delivered.

Mr. Amster: My question was, Mr. Isner, do you have an understanding as to when these cuts were made, when these photographs were made?

Mr. Isner: Over the weekend of the 11th, 12th and 13th. The 13th, I believe, was the Columbus Day holiday. We got them back on October 13th.

Mr. Amster: So you are prepared to offer a stipulation that it occurred between some time after Friday, October 10th, and before October 13th?

Carl J. Polowczyk, for Defendants, Direct

Mr. Isner: Yes.

Mr. Amster: I accept the offer of proof.

Mr. Isner: I would like to call Dr. C. J. Polowczyk, please.

(S2) CARL J. POLOWCZYK, called as a witness on behalf of the defendants, being first duly sworn, testified as follows:

Direct Examination by Mr. Isner:

Q. Will you briefly state your educational background, Dr. Polowczyk? A. Yes. I have a Bachelor's Degree from City College, Masters and Ph.D from New York University.

Q. And what is your specialty, technical specialty? A. The technical specialty is organic chemistry, as a subspecialty for the identification of small amounts of materials.

Q. Can you give us a brief history of your background and experience in the field? A. Yes.

I was originally employed by the New York Testing Laboratories, left them, I think, after four years of service, went to the Sun Chemical Company to do some paper research and development work.

From there I went to Fabrege, Incorporated, where, again, the problem was to identify small components in essential oils; left there for a teaching position at the Bronx Community College, where I have been for 15 years, (S3) and am now a full professor and chairman of the Department of Chemistry & Chemical Technology.

The Court: Is Dr. Polowczyk going to testify that this milky material in the corner of the bezel is an epoxy adhesive?

Carl J. Polowczyk, for Defendants, Direct

Mr. Isner: He is going to identify the materials as have resulted from infra red spectroscopy.

The Court: Never mind how he is going to identify it, but he is going to identify—

Mr. Isner: Yes, on a schematic, that it is resinous or adhesive-type material.

The Court: Any question about that: Will you stipulate that?

Mr. Amster: If it is not potting material, yes. I can agree to that if he says that isn't the potting material.

Your Honor was looking at the photograph of 2-A-1-D is that correct, sir?

The Court: That was the one I had in my hand at the time, but a number of the others have a similar translucent material or milky material in that corner between the beveled edge of the stone and the inside corner of the bezel.

Mr. Isner: May we approach the bench on this, (S4) your Honor?

The Court: All right.

Mr. Isner: We have prepared schematics that Dr. Polowczyk is going to testify to. Based on his infra-red analysis of scrapings or however he did it, he found materials of this general character, and this is just a schematic to show layers of where it was.

I don't think there is any real problem with it. Maybe there is.

It just shows that the materials at the edges is resinous in character. In one case it is epoxy, according to his analysis, and in another case it is a mixture of the resinous materials.

Mr. Amster: If you want to make an offer of proof, I might be able to save some time by proffering a stipulation.

This is the first time I have seen these.

Carl J. Polowczyk, for Defendants, Direct

Mr. Isner: They were made last night, that's why?

Mr. Amster: I have Lot 1 and Lot 2.

Why don't you identify these?

Mr. Isner: I will mark as Defendants' Exhibit E a schematic drawing prepared under the supervision and direction of Dr. Polowczyk which shows in schematic form (85) the results of his infra-red spectroscopic analysis of the various materials which he obtained by examination of a set of specimens of the rings, in this particular case Item No. 2.

(Defendants' Exhibit E was received in evidence.)

Mr. Isner: It is strictly a schematic. We are not saying the dimensions are proper, it is just to show the nature of the materials that he determined by his examination by infra-red spectroscopy.

Mr. Amster: Of one particular section of one particular thing he examined?

Mr. Isner: That's right. No argument about that.

Mr. Amster: And E relates to which of the products?

Mr. Isner: Item No. 2, which is the Capri Tattletale Ring.

Mr. Amster: We have no objection to that, your Honor, as exemplary of what is being proffered.

The Court: All right.

Mr. Isner: Please mark as Defendants' Exhibit F a similar schematic, which was prepared under the direction and supervision of Dr. Polowczyk and identifies the materials, (86) again, in schematic presentation relationship that resulted from his infra-red spectrometer analysis of the scrapings or whatever pieces he took off the specimens that were submitted to him of the ring identified as Item No. 3, which is the Tancer-Circle or Tancer Personality Ring.

Carl J. Polowczyk, for Defendants, Cross

Mr. Amster: It is Circle Jewelry.

Mr. Isner: If there is no objection, I can dispense with Dr. Polowczyk's testimony.

Mr. Amster: No objection, but I have a question or two that I would like to ask the good doctor.

Mr. Isner: All right.

Cross Examination by Mr. Amster:

Q. Doctor, did you make any determinations other than the particular spectral analysis for the general presence of the materials identified on Exhibits E and F? A. Only in the sense that it was necessary to go serially through it.

Do you know what I mean?

Q. Yes. A. In other words, to separate materials which were different one from the other.

Q. And to determine that these materials were there, but you didn't make any attempt to determine the precise (S7) physical orientation of the materials relative to each other, is that correct? A. Yes, I did.

Q. You did? Did you make a determination as to whether or not the liquid crystal layers were at all sealed or enclosed within this material that you identified as an ester-type adhesive? A. No, I did not.

Q. So you are not at all in a position, from what you have done, to determine that there is any provision for sealing the liquid crystal material as a result of the epoxy resin? A. No.

Mr. Amster: I have no further questions.

Mr. Isner: No further questions.

The Court: Thank you, Doctor.

(Witness excused.)

(Defendants' Exhibit F was received in evidence.)

Mr. Isner: If your Honor pleases—

Mr. Amster: Mr. Isner, would you proffer a stipulation that the good doctor did not make his spectral analy-

Colloquy

sis until after the photographs were made, which means they were made some time after October 13th?

(88) Mr. Isner: I am informed that they were made around October 14th or 15th, in there.

Mr. Amster: Thank you, Mr. Isner.

The Court: All right.

Mr. Isner: If your Honor pleases, we may have one more very short witness on a factual matter which I would like a chance to discuss with the potential witness.

The Court: All right.

Mr. Isner: Our case will close then.

The Court: How long will it take? Is two minutes enough?

Mr. Isner: Yes. If we can take a five-minute recess and talk to the witness, we can close out before a quarter to one, certainly.

The Court: All right, we will take a five-minute recess.

(Recess.)

Mr. Isner: Let me make a statement, Mr. Amster, and if you can stipulate to it, fine.

It is stipulated between the parties that if Remo Giganti were called as a witness, he would state that he is an employee of the New York Testing Laboratories and in the course of his job as a chemist he performed the following tests on the three submitted ring specimens, Items (89) 1, 2 and 3.

There were first put into cold water for a period of about one half-hour and there was no deterioration in the observed heat sensitive properties, that is, that the rings changed color in a normal manner.

Colloquy

The three rings were then placed in hot water at a temperature of 170 degrees, hot soapy water at a temperature of 170 degrees.

The ring identified as Item No. 1 came apart and, in effect, was totally destroyed by such immersion.

The other two rings, Items 2 and 3, after removing from the hot soapy water after a period of about two minutes or so, had no loss in their heat sensitive character, that is, their color change properties, and their physical integrity was apparently undamaged.

Mr. Amster: That is the totality of your offer?

Mr. Isner: That is the totality of the offer.

Mr. Amster: And you are not making any offer with respect to whether or not the retained liquid crystalline function was a result of the individual crystals retaining their encapsulation or the fact that the layer was sealed within the ring body?

Mr. Isner: All the man can testify to is what (90) he did and what he observed, he can't go any further than that.

Mr. Amster: We accept the stipulation as offered.

The Court: All right.

Mr. Isner: Thank you, your Honor.

That closes the defendants' case.

The Court: Let me say, Mr. Isner, in view of the fact that you made some mention earlier about the fact that the time between the filing of this suit and the trial was extremely brief, I want to make clear to you that if you tell me now that you have some additional evidence bearing on the question of infringement and what it is, I might be persuaded to give you additional time to bring that evidence in, provided that the defendant is enjoined in the meantime.

Mr. Isner: I have no such evidence, your Honor. At this moment I have no additional evidence.

The Court: You have no additional evidence?

Colloquy

Mr. Isner: No.

Mr. Amster: I guess both sides rest, and we thank your Honor for the expedited trial.

The Court: What do you want to do with respect to oral argument or briefing? Do you want to file briefs (91) on this?

I really think your respective positions are clear. But if you want to file or make oral argument, I will give you a very limited time to do it.

Mr. Isner: I would like to file a short brief, your Honor. I think that will help matters.

The Court: When can you have that ready?

Mr. Isner: Seven days. A week from today we will have it in. Whatever is your Honor's pleasure.

The Court: I have, A, a feeling that there is nothing you can tell me in the briefs that you haven't told me or which isn't apparent from the circumstances and, B, that even a week's delay might cause the plaintiff some additional damage.

I am willing to give you a week or even ten days, provided it is understood that the Court will enjoin the defendant in the meantime from making any claim of infringement against—

Mr. Isner: We agree to that.

Mr. Umans: We are not making any claim of infringement.

Mr. Isner: As soon as we get the transcript we can go to work on the brief, your Honor, and have it in by a week from today.

(92) Mr. Amster: Your Honor, unless we are in a position to literally take a full-page ad in Women's Wear saying there has been an adjudication by this Court that the Personality Ring by Tancer and the Tattletale Ring being sold by Capri have been judicially declare not to infringe, our client—I just talked to him in the back of the courtroom—tells me they will continually be irreparably harmed and damaged.

Colloquy

We did not run the trade ad which your Honor approved after the consent judgment was entered last week because that ad could not tell the trade in final decisive, conclusive terms that all products of both of these parties are totally clear of any charge of infringement.

This Hattie Carnegie commenced an action, as this record clearly establishes through the testimony of Mr. Kroin, against Gimbel Brothers on the very construction which is the Personality Ring and the Emotion Ring. There isn't a shred of credible evidence as we see it for the charge of infringement and we plead with the Court, consistent with what your Honor has already done to help these plaintiffs to straighten out the commercial situation, to decide this case promptly so that we can close this chapter of this proceeding.

The Court: Is there anything critical about (93) the next week or ten days?

Mr. Amster: If I may, your Honor, Mr. Tancer is here. He is the president of Tancer & Two, as your Honor knows.

Mr. Richard Restler is in the back of the courtroom. He is in charge of the sales and an officer of Capri Jewelry.

If your Honor wants to either ask them either on the record or off the record—

The Court: Mr. Tancer, is anything going to happen in the next ten days that is going to be critical?

Mr. Tancer: Yes, sir.

We have in the last three weeks been building, building up our production, and we have many people that are waiting the outcome of this trial.

In order for our customers to position themselves correctly with the ring they have got to take it in and every day—this is why I sought the counsel's advice on the possibilities of getting at declaratory judgment now.

Colloquy

This is a most peculiar situation and I believe what has happened here is that the defendant has tried to try his rights in the marketplace instead of in a courtroom, and I have been terribly harassed as a result of it, and others.

(94) The Court: What I am asking, is there anything unique about the next week? For example, are there going to be any catalogs published or is there going to be any particular Christmas buying period or anything of that type?

Mr. Tancer: It is a particularly shipping period, October 25th, because most of our orders read October 25th with a completion date of November 10th. If we don't honor these orders we stand terrific possibilities of cancellations.

The Court: Is there any reason why you can't go ahead and honor the orders?

Mr. Tancer: Yes, we can go ahead and honor the orders, but with every order we ship we have to give indemnity letters, we keep getting calls what is happening.

One of the reasons we have not shipped is because we are awaiting the outcome of this trial and we have got to know just where we stand.

The Court: Is there any order that you will lose in the next week or so because of the fact that the Court has not yet rendered an opinion, providing you are giving the indemnity letters?

Mr. Tancer: I know, but I believe that we have been harmed by Hattie Carnegie's statements in the market (95) which has been brought to my attention that they have already won their case, that they are going to win their case, that they are hiring their people to sell their products exclusively, and they are going to be the only ones who have the right to make this product in the market.

Colloquy

This is a very unique situation in the sense that the industry is very close-knit and everybody knows what is going on or what is not going on.

Mr. Amster: Your Honor, Mr. Restler tells me that they have an ad that they have to break and they can't break it until the situation is completely clarified.

Mr. Isner: If your Honor please, we are faced with these statements that our people are doing this and that and everything else. We can't rebut these things at this time as to whether they are true or not.

Mr. Amster: Your Honor did not allow us to go into the questions of bad faith here.

Mr. Isner: The orders are there. Let them ship them and give the indemnity. Their customers are not turning them back because of that.

The Court: Would you be seriously prejudiced by making your arguments orally to me at 2 o'clock instead of making them in writing?

Mr. Isner: I'd rather have a chance to do it in writing if I could.

(96) If you want to accelerate the date, I will work the weekend, your Honor.

Mr. Amster: Can we appear back before you on Monday, your Honor, make the oral arguments and could your Honor be in a position, do you think, to render a decision?

The Court: He wants to make his argument in writing.

Would you seriously object if I give him until Monday to file briefs?

Mr. Amster: I am sorry, I misspoke myself, your Honor. I understood Mr. Isner is going to be kind enough to work over the weekend and we can wind this up on Monday with him submitting what he wants in writing.

The Court: All right.

Mr. Isner: Fine.

Colloquy

The Court: We will do it, then.

Mr. Tancer: Excuse me, your Honor, there is also one other thing, your Honor. You have to understand the timing here.

We are hoping to get a resolution here so that next Friday that notice could appear in Women's Wear and save us a lot of problems in terms of getting the message across—

The Court: When do you have to get your copy to (97) Women's Wear?

Mr. Tancer: Tuesday.

The Court: I will give you a decision by Tuesday.

Mr. Tancer: Thank you, sir.

Mr. Amster: Thank you, your Honor.

We again extend our thanks to the Court.

The Court: The court is closed on Monday.

Mr. Isner: The first thing Tuesday morning.

The Court: All right. You get the things to me so I have them by 9 o'clock Tuesday morning, and I will get you a decision by 5 o'clock Tuesday afternoon.

Mr. Tancer: Thank you, your Honor.

Mr. Amster: You will miss Women's Wear.

Mr. Umans: That is not true. You can get something in on Friday as late as Thursday if you let them know it is going to happen.

The Court: Get the copy tentatively subject to giving a go-ahead or cancellation by telephone.

Mr. Tancer: Thank you, sir.

Mr. Amster: Thank you again, your Honor.